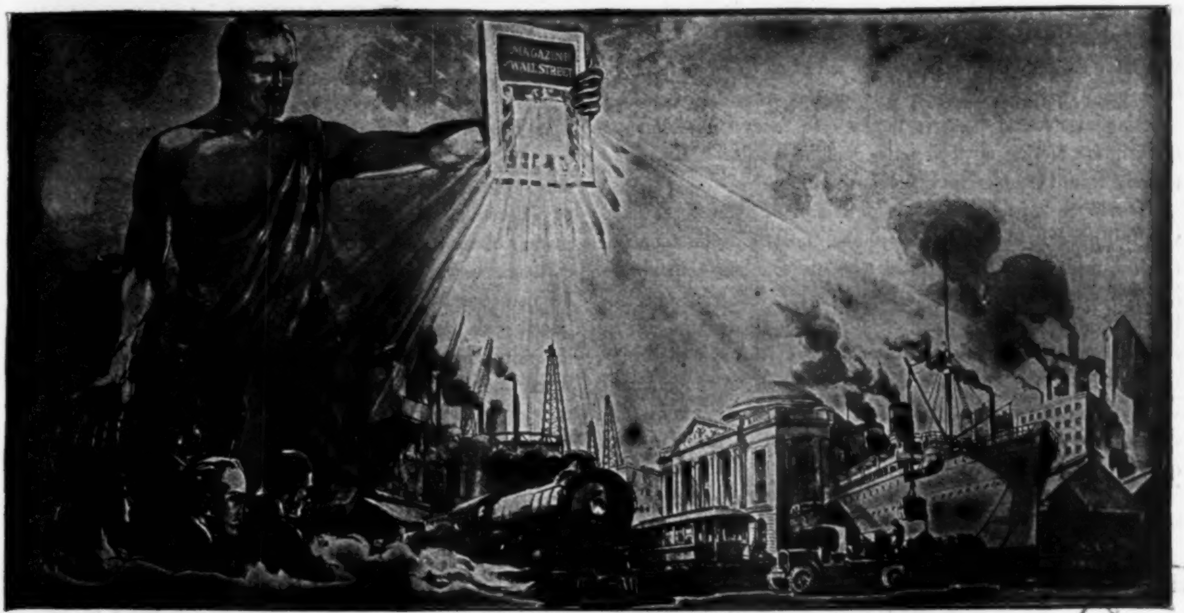


The Outlook

A Significant Attempt At European Restoration—Liquidation Almost Complete—Reducing the Competitive Feature in Business—Tariff Problems—The Market Prospect

A HESITATING air is manifest in business in the past few weeks. The basic industries are still fairly well occupied but show a tendency toward lower output. Demand has slackened noticeably in a number of directions. Railroad car loadings indicate a falling volume of traffic, partly owing to seasonal considerations and partly owing to the slump in industrial activity. The cut in crude oil prices has unsettled that market. Steel production is fairly well maintained but new buying has slackened. Retail activity is not so large as in the pre-holiday season. Wholesale and jobbing trades are comparatively quiet.

From the above it is evident that a period of quiet has developed in business. This is more particularly due to year-end adjustments than to any other factor. Underlying the entire situation is an air of confidence with regard to the future. Fundamental factors such as the money situation, international political conditions, and progress with regard to liquidation in general should inevitably exert their effect. Broadly the trend of industrial activity continues upward.

* * *

THE CONFERENCE AT GENOA

ECONOMIC difficulties in Europe, and the success attained during the Washington Arms Limitation Conference have combined to bring about a decision to summon a new conference at Genoa probably about the beginning of March of this year. The Genoa Conference is of special interest because of the determination to include both Russia and Germany—a plan which insures consideration of many subjects that otherwise would likely be neglected. It is evident that reparations and international investment of capital will hold a prominent place in this conference and that a very important position will also be given to the discussion of foreign exchange and the connected problems.

In these circumstances, it is not strange that there should be a strong desire among the European nations to have the United States participate. Such representation, it is already indicated, is desired to be of an official character, instead of being conducted through an "observer" of the sort we sent to the Brussels Financial Conference over a year ago, of the kind that has represented us since then at international gatherings. *There is as yet no indication of the plans of the Government at Washington with regard to the matter but the logic of the case plainly demands full participation on the part of the United States.*

Whether the results of the discussion will be such that we can join in carrying them out is a matter properly to be deferred to the future since there is no use in crossing such bridges before they are reached. The important step now to be taken is that of ascertaining what can be done to give relief in Europe and to restore our own trade to a satisfactory basis. Then it will be much more nearly feasible to decide how far we can and will go in putting such a programme into effect.

* * *

BANKING DIFFICULTIES NOT SERIOUS

FURTHER difficulties in banking have been an unfortunate incident of the first days of the New Year. Probably the most outstanding episode is the absorption of two Chicago banks by two others, but similar incidents have occurred in other places and there is reason to expect that possibly others will be heard from. *In all this there is, however, no ground whatever for doubting the solidity of our banking structure.* Not only is the Federal Reserve System exceptionally strong in gold with a reserve of over 70 percent, but the member banks of the country have steadily liquidated their commitments in most regions and

over a large part of the country are well supplied with surplus funds. So extensively is this the case, that the banks will be regarded as amply able to meet any need that may be brought to bear on them without the necessity of rediscounting at Federal Reserve banks. In fact, a good many of them are closing up their rediscount lines and withdrawing entirely from Reserve Bank accommodation.

It is to be expected that the portfolios of Reserve Banks will fall off still further as the volume of trade in the country recedes, and especially as prices recede. Banking difficulties in short must be regarded as largely local, involving only a limited number of concerns, which have been hurt either through unwise or speculative advances, or through the fact that some of their customers have suffered in an exceptional degree by the recession of prices. There is no reason to doubt that the banking situation especially in the Eastern and Northern States is very satisfactory. The South and West still have much liquidation to take care of but they have at least made a beginning.

* * *

COMMERCIAL FAILURES

THE figures made public by commercial agencies for the year 1921 show a very decided increase in commercial failures amounting in round numbers to something like 75% as measured by the volume of liabilities. Among the national banks the year's record shows that there was a total of about 40 failures as against 7 during 1920. These figures on the face of things look large but when they are carefully considered the significance of them is considerably lessened. The increase in failures was largely among small concerns which were pushed to the wall through price reduction or otherwise. Particularly in the banking field was it true that the failures which occurred in 1921 were relatively small and unimportant, although their aggregate number makes them look formidable. Although predictions can never be relied upon with certainty, *the prevailing opinion among commercial experts is that the first month or so of the New Year, although they may see some enlargement in the number and value of failures will probably close the period of increase and that thereafter a decline will set in.* This prognostication is based on the belief that liquidation is about complete, in most commercial lines, although in a few there are still some serious obstacles to be overcome. On the whole the past year's record has been of a character to furnish convincing proof of the stability and solidity of the general business structure. Never before, probably, has so severe a strain been felt by the business world and the fact that it has been able to resist the pressure in the degree it has constitutes a corresponding tribute to solvency and good organization. This would remain true even if the ratio of failures were to continue increasing for some time to come.

On that account the volume of failures in this period is not likely to contain very especial significance.

CONSOLIDATING INDUSTRY

EXPERIENCE gained during the high price period has shown where industrial waste was occurring, and has indicated methods of economy and saving of costs. The further consolidation of unnecessarily competing plants and the reduction of costs of manufacture has been rendered more evident as a necessity as prices have declined. While prices were advancing, there was a strong impulse to the organization of new companies and the number of corporations in existence very greatly expanded. They were able to do so because purchasers of raw materials and manufacturers of goods were insured of success since everything bought could invariably be sold at more than had been paid for it. The working of the reverse process is seen in the retirement of many mushroom concerns from business, while those which remain are united and reduced in number as circumstances from time to time show to be advantageous.

* * *

TARIFF AND OTHER PROSPECTS

THE great need of new revenue entailed by Federal legislation now in prospect largely emphasizes the unfortunate conditions growing out of the death of Senator Boies Penrose, Chairman of the Senate Finance Committee. Tariff legislation was being considered by the Finance Committee at current hearings but no conclusion had been arrived at prior to the death of the Chairman. It now remains for the Senate to provide means for carrying on the tariff discussion. With this end in view Senator Porter J. McCumber has been designated as Chairman of the Committee.

Mr. McCumber represents the State of North Dakota and is a member of the agricultural bloc as well as a strong advocate of the soldiers' bonus bill. As to the tariff, he has been an advocate of fairly high protective duties especially on Western farm products.

* * *

MARKET PROSPECT

THE absorption power of the market has been indicated during the first fortnight of the new year. After an advance running over a few months, such realizing as came in met plenty of buying orders, and easy money conditions which have prevailed within the past several days added a further stimulus.

We see no reason to alter our opinion as to the long trend of the security market. An increasing investment demand should be expressed in the well secured preferred industrial and railroad issues, as well as those common shares which are showing ample margin over dividend requirements.

It is quite within the bonds of possibility that in addition to the large number of domestic purchasers, we shall, within the next few months, see some little rivival of buying by foreign individual investors and corporations, who, as soon as circumstances will permit, will endeavor to replace part of the enormous quantity of securities liquidated by them during the war period.

Is Another Merger Period Approaching?

Lessons of Previous Mergers—How Security Holders Are Likely to Fare

By **RICHARD D. WYCKOFF**

THE evident approach of a merger of independent steel companies into a second big steel combination makes a timely subject for discussion, the possibilities of another period of mergers such as occurred about twenty years ago—1900 to 1902.

The test of the strength of any corporation or industrial combination is not what it can do in the years of plenty, but its showing during hard times. We have had and are, in many respects, still in such a period, and weakness has already been

THE LATE E. H. HARRIMAN

The broker's clerk who became one of America's greatest captains of industry and who was instrumental in the formation of the great Union Pacific combine.

disclosed among steel corporations which were left out of the big United States Steel merger of April, 1901, or which have grown into substantial proportions since.

The situation in the steel trade twenty years ago was similar to that prevailing at present. At that time Andrew Carnegie, head of the Carnegie Steel Co., was the most powerful factor in the trade. He had for many years followed the policy of building up his plants out of earnings, scrapping his old machinery, and keeping his whole organization up to a high state of efficiency by making partners of his chief executives. Charles M. Schwab was one of these, and the principles which he then learned from Carnegie are now being carried out in the Bethlehem Steel Corporation.

The Carnegie company was one of the few which, in the great era of consolidation marking the first few years of the century, had not been promoted, merged, or recapitalized, and many an envious eye was cast upon it, because it afforded such possibilities for promotion profits. Mr. Carnegie originated the saying, "Steel is either a prince or a pauper." When it was a prince, everybody made money; under pauper conditions, Mr. Carnegie made money, but the others made little or none.

The Moore Brothers, who had promoted National Biscuit and a number of other enterprises, saw an opportunity to bring about a big steel consolidation and paid Carnegie $1,000,000 for an option on his plant, but during the period of the option they were unable to finance so large an enterprise. When the option expired, they tried to get their million dollars back again, but were unsuccessful.

In the early part of 1901 there were a number of combinations in the steel industry which had been formed out of various groups of corporations actually engaged in the manufacture of steel. Some of these were the Federal Steel, American Sheet Steel, American Steel & Wire, American Steel Hoop, National Tube, and others, which, standing as separate and competitive units, were in a comparatively weak position. Carnegie could make everything they did, and do it more cheaply. He owned ore lands, ore vessels, railroads, iron and steel plants, as well as facilities for turning raw materials into finished product in various forms. His position was largely that of Mr. Gary and his U. S. Steel Corporation as it stands today, except that Carnegie, who was getting along in years, was willing to flirt with those who wanted to buy him out, while Gary is not. Furthermore, Carnegie represented himself and associates—a compact, closely held organization; whereas Gary is managing the Steel Corporation for the 189,000 holders of U. S. Steel common and preferred, who are partners in that enterprise.

Whether Carnegie really desired to force the leading interests into buying him out, or whether a combination of circumstances plus his attitude led to such a situation, is aside from the point. Carnegie did announce his plan for the manufacture of whatever forms of steel were necessary to compete with the new corporations which were making wire, pipe, sheet, hoops, etc., and these hastily thrown together independents found themselves facing a situation where they could not meet the Carnegie competition. The steel trade became demoralized. The late J. P. Morgan, who had been instrumental in the promotion of some of the independents, saw that the only solution was to secure control of the Carnegie Company and weld this and the others into one gigantic corporation.

It is easy to compare that situation with the one which obtains at present. The U. S. Steel Corporation now dominates the field. Through its ownership of ore lands, fleets of ore carriers, railroads, coal properties, coke ovens, and immense facilities for production of iron and steel and by-products in all their forms, as well as an efficient sales and distributing organization both in this country and throughout the world, the big corporation is in a position to put all the others out of business if it chooses to do so.

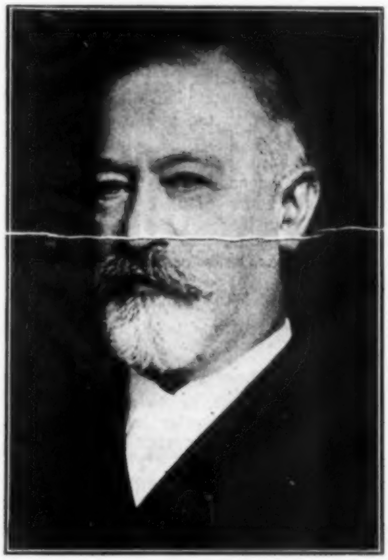
U. S. Steel can manufacture and sell steel, at a profit, at prices which, if met by the independents, would scarcely enable them to pay the interest on their bonds.

That is the situation which is forcing Republic Iron & Steel, Midvale Steel & Ordnance, Lackawanna Steel, and others in the proposed combination, to get together, whether they wish to do so or not. Hence, reports of such a combination may be taken seriously.

Trust-Baiting Taboo

Will such a combine be the forerunner of many others in various fields of industry and transportation? It is likely.

The attitude of both the Government and the public has vastly changed during the past twenty years. When it was first formed, the Steel Corporation was denounced by many as an octopus which would suck the blood of its victims, the American people, while crushing its com-



THE LATE JACOB H. SCHIFF

Mr. Schiff took an active part in the formation of many of our present railroad combinations, working closely in accord with E. H. Harriman

petitors. This agitation received the backing of the Government which, under the Sherman Anti-Trust Law, began the prosecution of the corporation, praying the courts for its dissolution. The attitude of the Government was summed up in this one phrase: "You hold in your possession a club with which you can eliminate competition; we do not say that you will use this club, but the mere possession of it is

illegal." The courts have decided that it is not illegal to hold such a club, and the public has decided that the existence of the U. S. Steel Corporation is neither a menace nor a detriment to the business interests of the country. On the contrary, it supplies an element of stabilization which would be difficult to establish without it. And it might be said that the strongest contributing element is the corporation's sound business policies and its far-sighted, conservative management.

It has taken the American people a long while to come to the conclusion that great industrial combinations are a benefit, and it has required about thirty years for the antagonism against such combines to disappear. Of the economic necessity for them there is no question in the mind of any intelligent person fairly well informed on business and financial affairs. That is why, in my opinion, we shall see more of them, both in the immediate future and as time goes on.

Mergers in 1900-1902

The list of industrial companies represented on the New York Stock Exchange at the mid-year of 1901 was small indeed in comparison with the present great variety of corporations whose shares are now listed. It will be interesting, therefore, to review a few of the vicissitudes of some of the corporations resulting from that period of industrial combinations, and in order to avoid too much detail, I will eliminate the statistical side and depend upon memory for the high spots.

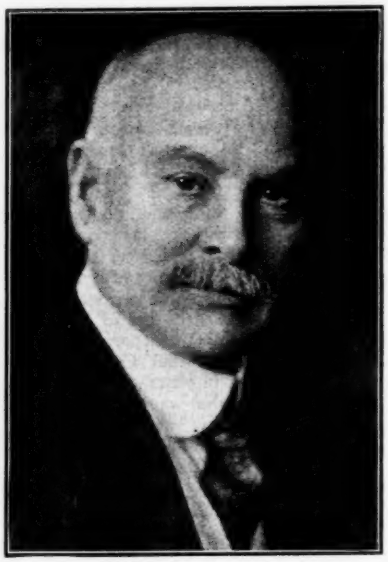
AMALGAMATED COPPER marked the entrance of the Standard Oil group into the field of copper mining. The company was overcapitalized at the start and great difficulty was encountered in distributing the original shares to the public. As an 8% dividend payer, it finally found favor and gradually built up its property until it became the Anaconda of today. This company, as readers of this magazine well know, is rounding out its production and earning power by diversifying its output and endeavoring to secure many of the profits which were formerly diverted into other channels. Events have justified its organization and vindicated its management.

AMERICAN BICYCLE CO. was one of the most active stocks of that time. Prior to its formation bicycles had been made by many different manufacturers, just as automobiles are today. They were all competing, spending tremendous sums for advertising and selling, getting a big profit out of what proved to be a fad which soon passed. Such a situation was not proven to be the basis for a consolidation, for when the period of keen competition passed and the advertising was cut down, the fad died out and the company went into bankruptcy. While more bicycles are in use today, few are for pleasure but many are utilized for individual transportation, mostly by workmen who travel back and forth to their daily labor. Thus was the bicycle combination unjustified.

AMERICAN CAR & FOUNDRY was a combination of plants which made freight cars and other products related thereto. Incorporated with $60,000,000 of capital stock, of which one-half was common, this issue afterward sold at very low figures, representing as it did, according to the custom of the time, nothing but water. But the wise policy of building up both its plants and its financial resources has resulted in a strong, well managed corporation, with a more diversified output and with three years' future dividends set aside in a reserve fund. From a poor speculation it has developed into a sound investment security.

AMERICAN CAN came along a little later and was one of the worst of the lot. The object of its promoters was to control the industry and get a lot of common stock which they could sell. They did this by filling every bid so that the stock eventually sold at something like $2 a share, where it lay for years. Although twenty years of age, this company has not yet paid its initial dividend, but it appears to be approaching that point. Twenty years have been required to overcome the original sins of its promoters. It does not control the industry, but it has developed into a strong and promising corporation.

AMERICAN ICE is in very much the same position, after being organized under similar conditions by Charles A. Morse. The common stock, now quoted at 80, may have sold at that figure before, but not for any sound reason. Its past history was characteristic of the other Morse promotions, and if any original stockholders remain, they are to be congratulated upon the change in management which took place some years ago.



ELBERT H. GARY

The guiding spirit in the U. S. Steel Corporation which, with the banking support of J. P. Morgan, was formed with American Steel & Wire Co., Federal Steel Co., American Sheet Steel Co., Lake Superior Iron Mines, and others as a nucleus

AMERICAN LOCOMOTIVE was another hasty promotion proposition in which some plants of limited value were quickly thrown together in order to make common stock for distribution while the going was good. The company had its ups and downs until the war period, when it so strengthened its resources that the income from its investments is sufficient to go a long way toward its dividends. With the growth of the country and a continuation of the present conservative management, its future is secure.

AMERICAN SMELTING & REFINING represented an attempt of the Guggenheims to control the industry, which they finally accomplished. Earnings have fluctuated with the changes in the mining industry, and the company emerged from the late war in a position to withstand, fairly well, the recent protracted depression in the mining field. Its management has been criticised frequently, but no one can say that its organization was not justified.

We will not go into details regarding concerns like American Malting, Distilling Co. of America, International Power, Standard Rope & Twine, and many others which originated before and since the birth of the Steel Corporation, and which have met with disaster for one reason or another; nor is it necessary to review the success of American Woolen, Glucose Sugar Refining (now Corn Products), International Steam Pump (now Worthington), National Lead, Pressed Steel Car, U. S. Rubber, and others which have reached various planes of success, as the illustrations above are sufficient to gauge some of the causes underlying success or failure.

Few will deny that the two decades just closed have fully demonstrated the advisability of, and the necessity for, large industrial combinations. It was simply a case of educating the public up to them. No better illustration can be found than the American Telephone & Telegraph Co., which much less than twenty years ago existed in the form of small, comparatively weak, independent telephone systems which were clumsy, expensive and inconvenient to the public. As the larger systems began to be put together, a great outcry arose which was quelled only by the policy inaugurated by the late Theodore N. Vail, who advertised the advantages of consolidation in the public press. After these were pointed out, everyone agreed with Mr. Vail, but he had to do the educating.

The Result of Overcapitalization

While there is always a temptation on the part of promoters to create a considerable amount of common stock, backed by good will and based on hope of future earning power, we do not anticipate such an orgy of overcapitalization as occurred in 1900-2; for while the promoters were at that time able to get away with it, they were taught several lessons, most important of which was the so-called undigested securities panic of 1903 in which wealthy individuals, banking houses and institutions were caught with an amount of undistributed bonds, preferred stocks and promotion common stocks which they had acquired and financed through syndicates and which they were unable to either carry or unload. The point was reached where not only the public but the syndicates were all filled up. Nearly everybody was a seller; hence there were few buyers.

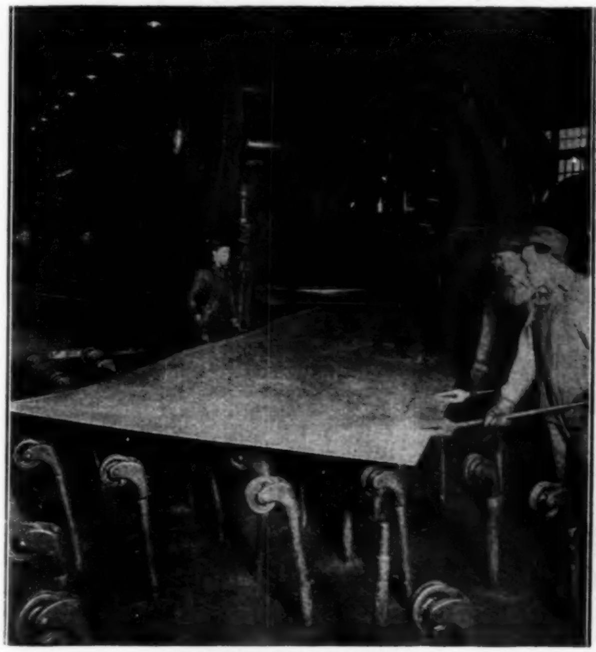
The U. S. Steel Corporation securities and their sponsors suffered greatly in prestige, and the shares shrunk enormously in market value at that time. Although

(Continued on page 442)

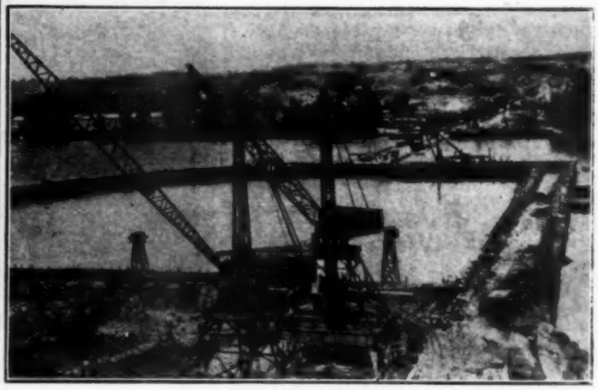
BALANCING BANK DIFFERENCES
The New York Clearing House, where inter-bank checks are "cleared" or balanced daily

WHERE SOME OF THAT EUROPEAN GOLD GOES
A glimpse inside the Sub-Treasury, New York, with several fortunes in sight

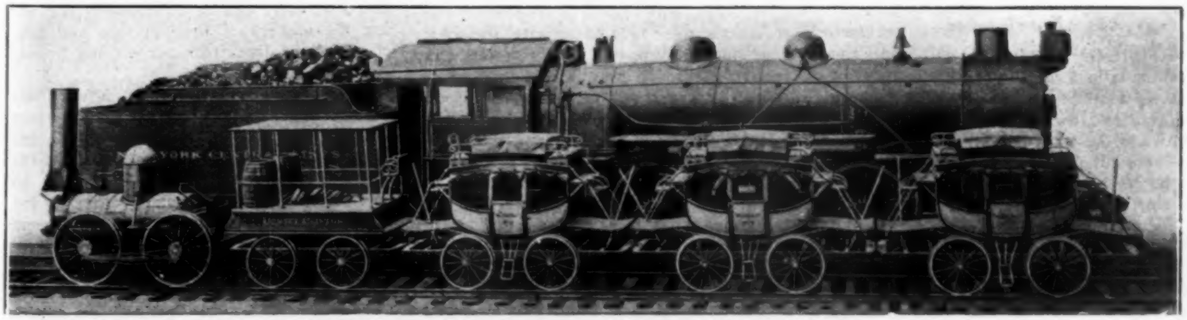
Photographic Odds and Ends of Business and Finance



CUTTING PLATE STEEL
Showing immense rollers over which sheet travels after leaving press



MUSCLE SHOALS
The Wilson Dam at the property Ford is offering to buy and on which the Government is said to have spent over $160,000,000



THE LATEST LOCOMOTIVE vs. THE FIRST TRAIN
How the "DeWitt Clinton," the first train run on the New York Central Tracks, compares in size with the modern locomotive

Why I Fight for the Farmers

Legalization of Cooperative Activity in Marketing Considered the Cure for the Farmer's Troubles

By **SENATOR ARTHUR CAPPER**

EDITOR'S NOTE:—The "farm bloc" question has grown to be one of the most important faced by the present administration. It has perhaps greater practical significance now that, owing to the demise of Senator Penrose of Pennsylvania, the chairmanship of the Senate Committee on Finance and with it the control of financial measures passes to the West through the accession of Senator McCumber of North Dakota. The accompanying article by Senator Arthur Capper comes from a man who is known nationally for his activities in behalf of the agricultural population, and his views, if not agreed to by all, have at least the full weight of a distinguished partisan.

HAVING been at the mercy of a system of marketing and distribution of foodstuffs, the most costly in the world, for many years, citizens of the United States are quite well unified in their demand for reform that will truly accomplish results.

This demand is not coming from any one portion of the population. Both workingmen and farmers and the great body of professional men and women have realized that under the present system of distribution and marketing they are being compelled to pay a daily tribute to a group of men who render to them no service and whose only contribution to the nation is an evil—the speculative middlemen.

The producer of food under the present system is compelled to see his products go on to the market subject to the whims of these speculators. He knows from long experience that to function the speculator buys as low as he can force prices down, buys to the extent of his resources or the resources banks will lend him, and exerts a powerful control over the food supply of the nation between the time it leaves the hands of the producer until it reaches the consumer, at greatly inflated prices, utterly unjustified by the actual cost of their physical distribution.

From the other side the consumer sees the farmer receiving low prices for his products—corn, pork, cattle, wheat, potatoes and cotton—and he turns to the sources from which he obtains these products. But he never buys them on the basis of what the farmer receives. In between, in addition to the compensation he is willing that the man who actually handles the products should receive, there is a wide margin, representing the rake-off of the speculative middleman.

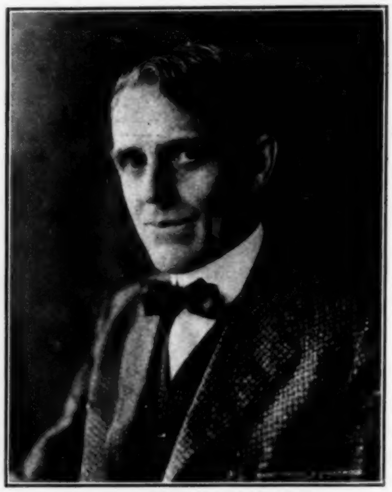
This annual tribute, gouged from the pockets of citizens already struggling with the problems of living, and squeezed from commodities necessary to their existence, is a national outrage—an evil that demands correction and that must be corrected.

Handicapped

At present there is no recourse. The farmer is in a large measure helpless. He knows that as an individual he is handicapped, and due to the ambiguity of federal laws he fears he will lay himself open to persecution by interests opposing him, if he seeks to act collectively through co-operative organizations. While it seems evident that Congress intends that the farmer shall not be prosecuted for acting collectively in the marketing of his product, yet the federal law is such that these prosecutions may be threatened or actually brought against him. The farmer does not relish the possibility of being prosecuted for an alleged violation of law, even though he feels fairly certain that he would not be convicted.

He does not like the idea of risking his reputation or taking the chance that the courts, through letter interpretation of law, should decide, despite the apparent intent of Congress, that by acting co-operatively, he violates the Sherman Act.

The farm co-operative movement has made great progress the past year, but finds its growth retarded by this general fear on the part of the farmers that such an association may be prosecuted under the anti-trust law. The result is, without question, that the farmer, due to this ambiguity in the Sherman Act and the interpretative clause placed in the appropriation bill by Congress, is, as things work out, being deprived of the right to market his products to the best advantage, not only of himself but of the consumer.



HON. ARTHUR CAPPER
U. S. Senator from Kansas

The need is for specific legislation to concisely define the position of the federal government with regard to co-operative associations, their field of activity, their purpose and organization, that farmers may receive assurance they will not be prosecuted, except those co-operative associations which might violate definite rules and regulations. Farmers are not asking for a special privilege, but a clear-cut, definite, unambiguous statement, in the form of a law, from the government, telling them what they may do in the way of co-operative activity, so that all doubt may be removed of the legality of such operations in a certain definite field.

There seems little doubt but that Congress desires to grant farmers the same privileges of organization that other citizens enjoy. Yet great corporations may be formed without fear of prosecution if they comply with the law; huge associations of corporations are legal under certain definite conditions.

But when the farmer comes to organize co-operatively, the only way in which he can organize to act collectively in the marketing of his product, he finds himself immediately handicapped by a law which can be interpreted either to mean that he has the right to so organize or that he lays himself open to prosecution if he does so organize.

The demand, then, is for a correction of this situation, which is hindering the farmer in his attempts to improve his condition. He insists on his right to organize and to obtain a fair profit on the things he produces. It is very evident that under the present system of marketing and distribution he cannot exert any influence to insure that he does receive that fair profit.

The Capper-Volstead Bill

The demand for this legislation is nation-wide among farmers. The Co-operative Marketing bill introduced by me in the Senate and known as the Capper-Volstead bill, has been repeatedly endorsed by great farmer organizations. It is the first measure on the program that is being pressed in Congress by the so-called agricultural bloc. It is something the farmers want and need; something also from which the consumer will directly benefit. It is as much to the profit of the consumer as of the farmer to stop the wholesale looting by the speculator.

There is a growing public interest in co-operation among all classes. Consumers are turning to it as a means of solving high cost of living problems. Laboring men have taken up co-operative buying. The farmer, through experience, handicapped as he is, has proved that it functions to his benefit and the benefit of the public. The great trouble is that co-operation cannot reach the highest point of efficiency, or play the part it can play in distribution, until those participating in it feel that there can be no question regarding the legality of their actions and that they will be free from persecuting prosecution.

Co-operative marketing of farm products is perhaps the chief issue before farmers today. The Committee of Seventeen of the American Farm Bureau Federation is now at work in an effort to evolve a national marketing program for farmers. Every organization of farmers is studying this question and seeking to find a practical solution. Co-operative associations engaged in marketing exist and are functioning. Some are large, others small. All are handicapped because of the ambiguity of the law.

(Continued on page 426)

Why I Am Against the "Farm Bloc"

No Necessity for Creating an Issue Between the Farmers and Other Elements

By the **HON. GEORGE HENRY PAYNE**

Editor's Note: The opposing viewpoint to Senator Capper is ably taken by the Hon. George Henry Payne in this article. In publishing the two articles we have endeavored to present both sides of the case impartially so that our readers may judge for themselves the merits of the issues at stake.

FIRST let us settle any question as to the attitude of business toward the farmer. It is not antagonistic and never can be unless foolish and self-constituted leaders on both sides should produce misunderstandings that would be fatal to the interests of both.

It was said of Theodore Roosevelt that his favorite cartoon was that eloquent drawing of Homer Davenport which depicted a farmer at the end of the day, contented and absorbed, as he perused the President's message. Underneath was the caption "His Favorite Author." Roosevelt always referred to it with great satisfaction, declaring that as long as he had the farmer with him he knew he was right.

That attitude of mind will be reflected by every wise statesman and every wise business man, for aside from the recognition of the farmer's importance in any scheme that would work for the welfare of the country, the farmer plays the political game with almost desperate fairness. He casts his weight into the scales only after deliberation, and when he has well established the belief that things are wrong. The many great reforms that have come out of the West have more than counterbalanced the shortlived faddist movements, which in the main were repudiated by the very communities from which they were supposed to spring.

It is well to remember that it was an Ohio statesman that led the fight for sound money and that, if Mr. Bryan obtained small pluralities in 1896 in a few of the farming States, such as Kansas and Nebraska, he was emphatically repudiated in every farming State in 1900.

Given a fair presentation of the facts and the farmer in the long run will be right.

The Issue

This much should be said that we should thoroughly understand wherein lies the issue between the business men and such able and conscientious statesmen as Senators Capper and Lenroot, and others who are not so able, together with one or two whose hatred of the East has become almost congenital. Inasmuch as they propose anything that will be of benefit to the farmer, they will find business with them to the man. But the mistake lies in the fact that apparently in behalf of the farmer and frankly in his name there have been proposed punitive measures, nothing less than the continuation of war taxes as peace taxes. Although some of the ablest men in the Senate and of the Committee of American Business Men hold that the agricultural bloc is *per se* an iniquitous thing, I cannot feel, in the light of past performances in American history, that such indignation will be reflected by the American public. The Democratic party has been little less than a southern bloc for years, and a geographical section that finds that it is suffering by being neglected in legislation will naturally, in a country as large as this, resort to some such formation to make itself heard.

But what is wrong and what will be resented by the American voters of all parties is the fact that a group has organized to attack the rest of the country, that in defiance of well established and thoroughly understood laws by those who will take the trouble to study them, a group should seek by legislation to shackle the industrial development of the country.

This is the issue that must come before the country and must continue to come before the country until it is settled right. It is idle to confuse it with other questions; the question which will eventually out and which will have to be settled is, Can the power to tax—"the power to destroy"—be so used as to discourage initiative and enterprise with the result that if there is to be any development in the country, if there is to be any large enterprise and initiative, it must be purely governmental?

HON. GEORGE HENRY PAYNE
Commissioner of Taxes and Accounts of the City of New York

A Subtle Program

In other words the refusal of the agricultural bloc to repeal the war taxes, and its entire attitude in the matter of taxation is the first step in a war for the abolition of private property, conceals the germ of the most radical conception, and, under the guise of helping the farmer is an endeavor to embark him on a socialistic program.

In the language of the day I do not believe that the farmer will fall. All that is necessary, I believe, is a campaign of education on the fundamentals of taxation, for no one is less socialistic than the American farmer, no one less envious of one who is better off, or more willing to defend his own property, as the law of the land as written in thousands of law cases will attest.

As in many things and because of many causes, we have gotten away from the fundamental truths that lie back of our theory of taxation. The attempt to change our governmental system or to confiscate property through taxation will fail as soon as it is readily understood. If we are to adopt the Lenin system of government, the better way would be by the simplest method—by the bayonet. Recently I read of a reformer who proposed to abolish wealth by taxation and other legislation and when, after it was pointed out that some industrious and saving man might still accumulate wealth, the reformer was asked what they would do with such a man, he very pithily explained that in the face of the failure of the restrictive laws to operate successfully in such an instance the only thing to do was to shoot the culprit.

The principles of taxation as laid down by Adam Smith practically at the time when the founders of this Republic were laying down the principles by which free men could live in concord, liberty and happiness, have had little added to them by either time or man. Those four simple dicta have established for all time or until greater than those of that day arrive, that taxation must be fair, just and equable.

Let us not assume that there can be instituted in this country a principle of restitution on the basis of those simple-minded and uncivilized Papuans, of whom Lieutenant Governor Murray tells in his book on the customs of the Islanders. Before one of the colonial justices was brought, one day, two brothers, native Papuans, on the charge of murder. It was admitted that they had rushed out of their hut and killed an unoffending stranger who was passing by. The only explanation was that being a simple people the only way they had of assuaging their grief was to commit a murder. It seems that these two brothers had a pig of the pretty name of Mehboma. "Mehboma had died and the brothers in their unquenchable grief went forth and killed the first man they saw. The victim had nothing to do with Mehboma's death, but the mourning brothers did not care for that—somebody had to be killed."

The American people will not endorse so primitive a method for curing pathological or political ills.

Why There Are So Many Failures

Small but Reputable Business Men Often Find It Difficult to Secure Loans Except at Usurious Rates—Big Business Could Help

***By* VICTOR DE VILLIERS**

IF any game can be said to be unbeatable, the process of paying off a debt that carries usurious interest is surely a model in the invulnerable class. Usury laws in various states will be quoted in argument that interest rates cannot be above a certain figure. Similar laws were passed hundreds of years ago, until, finally—I believe under the Emperor Justinian of Rome—it was not permissible to recover more interest than the capital sum of the debt.

The modern loan shark beats Justinian, wise as the latter was reputed to be.

The word "interest" is very much taboo in high finance circles, and when it is mentioned it is never spoken of in above a 6% or 7% whisper. Devices, combinations, and permutations of charges, fees, bonuses, plus the addition and compounding of the aforesaid charges, etc., to the original capital so scrambles the egg that it would take many Justinians and all his counselors to unscramble the modern loan shark's egg.

When you borrow $100 for a year from a money lender at 7% and pay a $5 bonus, you are paying 12% straight. If, in addition, a fee of $10 is added for the services of alleged lawyers and investigators, this is another $10 added, making the total $22. If you were to receive the $100 net, hold it for a year, and then pay back $122, the onslaught on your pocketbook would be relatively modest.

The usurer does not work that way. An "interest" of 22% is too picayune; he aims to get from 50% to 75% and the process is easy.

From the average loan of $100 is deducted all interest, fees, and commission in advance: and the borrower gets $78, on which latter sum he pays $7 in interest. This makes an interest rate of 9% on the actual money received. If you protest, you are told—"the interest and fees amount to $22; pay this amount and I will loan you $100. If you haven't the $22 (the lender is an unconscious humorist), I will advance it out of the $100 I am now going to lend you."

The borrower is not usually allowed a year to repay. As a rule he is compelled to repay monthly, with a proviso on the face of the note he has signed that failing payment of any instalment on its due date, the entire balance of the loan shall become due and payable immediately. Most people do not read "conditions or provisos" printed on notes in small type: some people have to be hit with a brick before they notice they are likely to get hurt.

An Ingenious Proviso

No loan is made without good security, or rather a good backer or indorser. It is usually the backer or indorser who gets the full force of the ingenious condition printed in small type. If the loan shark is lucky enough to foreclose the loan in three months, through the real debtor having "fallen down"—and they fall down very often—he has received $22 on a loan of $78 in three months. *The interest has thus become about 100% per annum, and all within the law!*

The loan shark's weapon is principally his power to intimidate either the borrower or the latter's indorser. The army of borrowers consists mainly of business men and employees who occupy good positions, and who cannot afford to have process-servers hanging round their homes and places of business. A process-server makes a poor sort of ornament around the structure of self-respect you have been raising all these years. Your note to a usurer therefore becomes a potential menace to you, your home and your job.

The Case of Henry Jones

So much for the troubles of the rank and file of borrowers. How about little business borrowers—the small storekeeper, the proprietor of a small manufacturing plant, the insignificant jobber? Glancing over the list of failures in the past year, these people and their brethren will be found to constitute the bulk of the commercial casualties. Why? Simply because the line of credit which these people had at the banks ran out and there was no other way of getting the cash with which to operate their businesses.

Some little firms were more "fortunate." That is—they are not yet officially classed among the failures. They have postponed the commercial morgue—for the time being—much in the same manner as Henry Jones.

Henry Jones is a small storekeeper in a certain town of 15,000 population in the Middle West. Jones has run his store for years and everybody knows him, in-

(*Continued on page* 436)

If Your Broker Fails—

The Rights of Customers—Redemption of Securities—Short Selling a Disadvantage in This Instance

By WILLIAM B. DE VOE
Member of the New York Bar

NOTE: The following article was originally published in this magazine a few years ago, as part of a series of three articles on The Legal Relation of Broker and Customer. Owing to the recent failure of an important member of the New York Stock Exchange, many investors have been asking themselves what means of protection are open to them in the event of future failures. We, therefore, publish this article as containing suggestions which may be of practical interest.

A PAINFUL thought that sometimes creeps into the speculator's mind is this: What will happen if my broker fails? Fortunately, because of the skill and prudence with which business is conducted by reputable brokers, this is a calamity not greatly to be feared. However, it does sometimes happen, and it is accordingly well for the customer to know just where he stands in such a case.

The right of the customer to redeem securities carried for his account at the time of the failure, by paying the balance of his indebtedness thereon to the broker and taking the securities, depends upon two things: (1) Whether the customer can identify the securities, and (2) the situation of the securities at the time of the failure. The identification is sufficient in any of the following cases—where it appears that the precise certificates of stock originally bought for the customer were still being held for him when the broker failed; where it can be shown that certain particular certificates were then being held for him, even though they were not the precise ones originally purchased; or where it appears that the broker at the time of the failure was carrying a block of stocks of the particular kind purchased for the customer sufficient in amount to meet the demands of all his customers for whom he was carrying that kind of stock, although it may not be possible to show that any particular stock certificates were being carried for any particular customer. If, however, the block of stocks in question is insufficient to satisfy the claims of all customers for that kind of stock, the identification is considered sufficient for each of said customers to claim his proportionate share of the block of stocks in question.

When Securities Are Pledged

When the customer has sufficiently identified his securities, his right to reclaim them then depends upon the situation of the securities at the time of the failure. If they were in the broker's actual custody, the customer need only pay to the assignee or trustee in bankruptcy the amount of his indebtedness to the broker and take his securities home with him. It is when the securities have been pledged by the broker with some third person that awkward complications arise.

If the securities identified by the customer have been pledged by the broker to a third party by themselves, separate and apart from others, for an amount not exceeding the indebtedness of the customer to the broker, the customer may reclaim them by paying to the person with whom they are pledged the amount for which they were pledged by the broker, and paying the remainder of his indebtedness for the purchase price of the securities, if any,

(*Continued on page* 433)

(*Readers who are interested in the E. W. Wagner Co. failure see page 440 for important announcement*).

Foreign Trade and Securities

Japan Takes Lead in Economic Recovery

First Country to Suffer Deflation Now on Upgrade—Speculative Fever Subsides—Unfavorable Trade Balance Due to Declining Silk Exports

JAPAN was the first country to suffer under the wave of deflation which later engulfed the entire world. It happened back in early 1919, when silk prices commenced to crack, giving the first concrete instance that the era of extravagant speculation which nearly ruined the world during the war period was at the beginning of its end. With the smash, which occurred in the silk market in 1919, came an entire host of economic evils to afflict Japan. The banking situation was precarious for a time, there was much unemployment and hardship leading to the famous rice riots; exports and imports dropped off to an alarming degree. In short, Japan found itself facing a period of first-rate depression.

It is only lately that this country has begun to show some signs of recovery.

For a period of months, Japanese bond issues (see graph) have been rising to higher levels than those seen for a considerable period. This movement has largely discounted future improvement in Japan's trade position and its extensive nature seems to indicate that confidence has revived in Japan's ability to turn the corner.

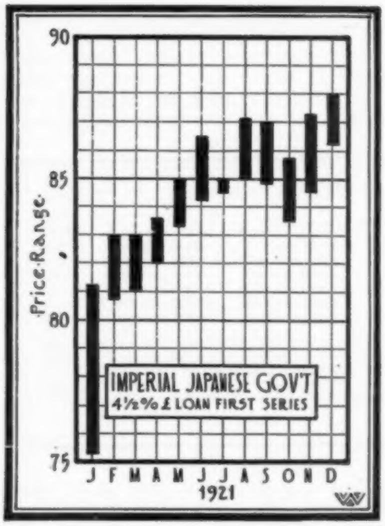
Japanese Exchange Well Sustained

While Japan has gone through a period of currency inflation in common with most other countries involved in the war, its exchange has suffered little in comparison with the other belligerents. Thus, the Japanese yen, which has a par of $49.84, is quoted today at $48. The reason for this is that Japanese currency is still on a firm gold basis, being comparable in this respect only to the United States dollar. Even sterling suffers by comparison with the yen on account of the low gold reserves of Great Britain. From 1913 to 1918 Japanese gold reserves increased from 330,000,000 yen to 2,150,000,000 yen, these figures including gold reserves held in the country and those held in foreign countries. The Japanese Government, which attaches large importance to its gold reserves, is still importing the precious metal on a fairly large scale.

Not only has the position of Japan with regard to her gold reserves improved greatly within the past few years, particularly in the past year, but considerable progress has already been made with regard to liquidating her bank note liabilities. Thus, since 1918, note issue circulation of the Bank of Japan has declined from 150,000,000 yen in 1918 to 46,000,000 in 1920, and is at about this figure at the present time. Since 1918, generally, note issue as well as money placed annually in circulation has been declining. At the same time, gold reserves have been increasing, resulting in a markedly improved banking position. In this respect, the Japanese situation resembles ours perhaps more closely than that of any other nation.

Asiatic Interests

Such a large share of Japanese prosperity depends on the successful economic penetration of Asia that the situation in this regard invites compelling interest. The relations of Japan and China at this particular moment are of great interest.



During the past two years, feeling against Japan in China has been growing high. The Chinese regard Japanese efforts toward economic control of that country with indignation and the boycott proclaimed against Japan has interfered with normal trade relations between the two countries. A good deal of politics is mixed up with this affair. At this moment, however, though conceding the loss to Japan already incurred through enforcement of the boycott, it is doubtful that the Chinese can throw off completely the Japanese commercial influence. Japan is already firmly entrenched in China and controls a surprisingly high proportion of the latter's natural resources.

Trade Position

Internally Japan has made great strides toward controlling her foreign trade. For example, where, in 1893, only 17% of her foreign trade was controlled by natives, at present probably 80% of her trade is so controlled.

In the past two years, the speculative fever which has had Japan in its grip has been on the wane. This is a most fortunate development. As the result of the flotation fever, newly capitalized investment increased to an amount altogether out of proportion to the ability of the country to sustain such ventures. As a matter of fact, many of these new enterprises have been swept away, and with the better-established concerns remaining the Japanese trade structure has been rendered more solid.

Japan is gradually coming to view the present international trade position more soberly. She is thinking in terms of realities and the extravagant dreams of the past few years are giving way to a more easily realizable ideal.

Conclusion

While it is possible to draw pessimistic conclusions from the fact that a very heavy trade balance is running against Japan, the fact is that this situation is perhaps more closely attributable to the decline in silk exports than to any other factor. Silk exports normally make up about 40% of the total exports from Japan, and the enormous shrinkage in the silk trade with the world has been a preponderant influence in the depressed trade position in which the little island empire now finds itself.

Recently, however, the silk trade has given signs of what seems to be a permanent revival. Prices have risen considerably and the outlook generally is for a broadening market. Japanese commercial interests have also been more active in our iron and steel markets evidently anticipating a revival in industry of at least fair proportions. Viewing the stability of Japanese exchange and the rise in her bond issues as signs of the trend, it is perhaps a not unreasonable assumption that Japan is at the beginning of a trade revival.

While conditions in Japan are not all that might be desired, the country is in a much better position financially than many others. Commercial interests in this country find trade opportunities in Japan quite welcome at the present moment, with so many of their other markets in a more or less chaotic condition.

Internal conditions in that country are also more stabilized. Labor is discontented, it is true, but no more so than in other parts of the world. Offsetting that factor is the improved financial position—one of the few national instances yet seen.

Inasmuch as Japan led the way to the trade depression which has existed in the past two years, perhaps a significant connection may be said to exist between the impending revival in that country and the revival which is likely to make its appearance in all quarters of the world some time this year.

Investment Bonds of Neutral Countries

Argentine, Chile, Denmark, Norway and Sweden Offer American Investors Unusual Opportunities

By **THOMAS B. PRATT**

AMONG the foreign bonds that have been sold in the United States, both in dollar and other currencies, those of the neutral countries in the World War stand out prominently from an investment viewpoint. Practically all the neutrals profited greatly as a result of the war, and although they all suffered from the depression of 1920 and the first part of 1921, yet their financial standing and their trade prospects showed a substantial improvement in nearly every case as compared with conditions that existed before the war.

The two important neutrals in South and Central America were Argentina and Chile, while the European neutrals were Switzerland and the Scandinavian countries—Norway, Sweden and Denmark. All of these countries have sold dollar loans in the American market and several of them have also sold loans of their municipalities. But, in addition to these loans, the American investor has purchased large quantities of internal bonds, payable in the currency of the issuing country, and also external bonds, payable in two or more currencies.

WEALTH AND DEBT STATISTICS

	Population	Estimated Wealth	National Debt	Per Capita
Argentine	8,500,000	$13,800,000,000	$580,000,000	$ 67
Chile	4,127,000	3,272,000,000	250,000,000	63
Norway	2,750,000	3,350,000,000	316,000,000	115
Denmark	3,023,000	2,680,000,000	270,000,000	90
Sweden	5,800,000	4,690,000,000	460,000,000	80
Switzerland	4,300,000	6,000,000,000	752,000,000	185

Included in the national debt of the above countries is the debt contracted for railways and public works, much of which is self-supporting. This must be taken into consideration in entering the per capita debt and interest charges. For example, the figures given above for the debt of Switzerland include about $386,000,000 which are obligations of the government railroads, leaving the general debt of Switzerland at about $365,000,000. This also applies to other countries.

Popular Investments

Practically all these governments have well-seasoned outstanding external securities, most of them payable in sterling, and these securities have been popular investments in countries that are noted for their discriminating investors. Prior to the war these governments obtained their funds in London or on the continent. London, however, was the international financial center for this class of business and such loans constituted one of the most important phases of the London bond market. Foreign bonds were considered by investors in England to be among the highest grade investments. Practically all these loans were put out from 3% to 5%, but with the advance in interest rates, following the close of the war, the prices for them on the London Stock Exchange naturally declined. Not only did the American investor have the opportunity to buy these well-seasoned bonds at attractive prices but he was also able, owing to the depression in sterling exchange, to purchase them at a better percentage of par than the English investor could obtain. The bonds, therefore, commenced to come to America in enormous volume. This applied not only to those issues of the neutral countries, but also of many of the allied nations.

As a result of the factors mentioned above, there has developed in the United States an important and large open market for bonds of nations having a good credit rating and whose securities are payable in currencies other than United States gold. The American investor, as a consequence, has the opportunity of purchasing dollar securities of these governments, many of which are on attractive stock and yield bases, and at the same time can compare these dollar issues with other issues of the same governments, payable in other currencies.

Argentina

The Argentine Republic is the most highly developed, economically, of all the South American nations. Its foreign trade is larger than that of any other South American state and its exports are more diversified than is the case in most of the republics to the south of us. The country has developed quite rapidly, largely through the investment of capital by foreign investors. It has been estimated that there is practically $5,000,000,000 invested in Argentina by foreign interests, of which approximately one-half has come from Great Britain.

For about twenty-five years prior to the war, Argentina maintained a healthy growth commercially, and Argentine exchange maintained a fairly steady course during that period. During the war, Argentina prospered greatly, owing to the demands for her products, and exchange advanced to a considerable premium in all the belligerent countries, with the exception of the United States, where it remained only slightly above par. This was due largely to the deposit of gold in the Federal Reserve Bank, ear-marked for the Argentine Government.

With the commercial depression that developed throughout the entire world, over a year ago, the exports in Argentina decreased rapidly, resulting in an unfavorable balance of trade. The depression that Argentina has been going through during the past year, however, is similar to that which other countries have been experiencing. It has, however, affected the Argentine exchange market, but authorities agree that Argentina is in a better position, owing to her unusually large gold reserves, to re-establish her exchange on a par basis than most any other country.

Argentine securities have always enjoyed a world-wide market. Among the most popular securities are what is known as the "Argentine Cedulas," or Mortgage Bonds, of the National Mortgage Bank. These securities have been purchased freely by investors in European financial centers and are considered among the prime investments of the world. The Argentine internal securities of the government have also enjoyed a broad market, and one issue, that of 1909, was placed in five countries, one of which was the United States, and about one-fifth of the issue is listed on the New York Stock Exchange. There has also been great interest in the United States in many of the external issues of Argentina, particularly the sterling issues that were originally put out in London.

The Argentine Government sold in the United States last October an issue of $50,000,000 two-year notes. These were offered to the public at 99⅝ to yield 7.20%. The bonds were not particularly well received, owing largely to the fact that they were two-year notes, whereas the investing public was interested mostly in long-term securities.

The Argentine issues that have been most active in the United States market are the 5s of 1909, mentioned above; the Argentine Railway Rescission 4s, due 1952; the Argentine 5s of 1913, and the Argentine 4s, due 1957. There has also been considerable interest displayed in the strictly internal issues of Argentina, one of which is the loan of 1905, which is payable in paper pesos. The loan of 1911 is also in paper pesos. Argentina, as is well known, has a dual currency, the gold peso having a par value of $0.973 and the paper peso having a par value of $0.4245 in United States currency.

Chile

Chile succeeded in obtaining in the United States during 1921 a total of $44,000,000 in three separate loans. The first issue of $24,000,000 was in twenty-year bonds; the second issue of $9,500,000 was in five-year bonds, and the third issue for $10,500,000 runs for twenty-five years. Chile has also succeeded recently in obtaining a loan in London for £2,000,000.

Chile went through a period of extraordinary depression in 1919, which showed some signs of recovery in 1920. The government's revenues are derived to a great extent from export duties on nitrate, iodine and borax. In addition to Chile's huge nitrate deposits, this country is also a large producer of copper, and she has in reserve large deposits of coal which have never been developed to any great extent. It is claimed that Chile could supply the whole of South America with its coal requirements, and this is a

development which may be expected in the future.

Like Argentina, Chile has done considerable of its borrowing in London. There are outstanding several loans which may be had at attractive prices by American investors. The loan that has been most popular here is the 5% loan of 1911, which is now quoted at around $550 per £200. This gives it an attractive income and yield basis that makes a particularly favorable comparison with the dollar loans.

Norway

Of the Scandinavian Union, Norway stands out as a field for most attractive investments. The external bonds of this country represent investments in railroads, electric works and other revenue-producing properties. Before the war, most of her loans were placed in London or on the continent at 3% or 3½%, and her bonds have always held high credit ratings among discriminating investors.

Norway first entered the American market in October, 1914, with a two- and three-year note issue of $3,000,000, bearing interest at 6%. Half of this issue was redeemed in 1916 and the balance in 1917. Norway again borrowed in 1916, when she obtained a $5,000,000 seven-year 6% loan. An additional offering of these notes was made in February, 1920, amounting to $1,500,000. On October 1, 1920, Norway sold a twenty-year 8% issue of $20,000,000. The Norwegian sterling loans were among the first foreign external bonds issued in other than dollar currency that attracted attention of American investors. The Norway 3s of 1886 have been active in the United States market for nearly two years.

Among other attractive sterling issues in which there are still possibilities of handsome profit are the Norwegian Government 3½% Bonds of 1904-5. These are issued in denominations of 360 kroner —500 francs—£19-16s.-4d., and interest may be collected in Christiana, London or Paris, taking advantage of the exchange rate that is most favorable at the time. These bonds were issued for the construction of railways and represent revenue-producing properties.

Norwegian currency is amply covered in gold, the ratio now being 38.61%. The circulation of paper money in Norway has increased since 1914, as, of course, prices have also increased, but the gold reserve has correspondingly grown, and while the paper circulation in 1921 has decreased some $14,000,000, the gold reserve is only $1,000,000 less than in 1920.

Denmark

Denmark's credit ranges unusually high among the nations of the world. She holds a strategic position in world commerce, owing to her shipping and agricultural industries. Her currency is well protected from a standpoint of gold reserve and her per capita net debt is one of the lowest in the world. Few European countries have been able to recover so rapidly from the effects of the war as Denmark.

This country has been a large borrower in the United States since the armistice. In October, 1920, she sold to American bankers and through them to investors in this country an issue of $25,000,000 8% twenty-five-year bonds. This issue provides an annual sinking fund of $1,250,000 for the purchase of the bonds at not more than 110 and interest up to and including October 15, 1935, and at not more than 107½ and interest in the case of bonds purchased thereafter. There was also a Danish Consolidated Municipal offering in February, 1921, of 8% twenty-five-year bonds. This issue was in two series, the first of $7,000,000 and the second of $8,000,000. On December 19, last year, Denmark obtained a twenty-year 6% $20,000,000 loan in this market. This loan is callable at 105 and interest on any interest date prior to maturity on sixty days' notice. These bonds were offered to the public at 94½ and interest, to yield about 6½% to maturity, and at this writing they are selling at 94⅝.

There is also one sterling loan outstanding of the Government of Denmark, and this is the 4% loan of 1912. There were £4,000,000 of this loan issued and there are now outstanding about £3,500,000. This loan is redeemable by an annual sinking fund of £70,000, which commenced in 1914, and it is callable after March 1, 1926, in whole or in part on three months' notice. These bonds are payable, principal and interest, in London in £ sterling, and in Copenhagen, Hamburg, Paris and Amsterdam at the fixed exchanges of 18.16 kroner, 20.43 reichsmarks, 25.20 francs and 12.10 florins, respectively, per £ sterling, free of all Danish taxes. These bonds are now quoted about $630 per £200, at which price they provide a straight income of about 5¼%, but there is a possible profit in principal of over $340 through an advance in sterling to parity at the time of maturity. It is this increment in principal that makes these foreign bonds particularly attractive to American investors.

Sweden

Virtually, the whole of the pre-war debt of Sweden represents expenditures for the construction of railways and other public works. Prior to the war, these were more than self-supporting, the government's receipts from its public undertakings being sufficient to cover the annual charge on the debt, with a comfortable surplus. The value of state-owned assets is more than double the total of all government bonds outstanding.

The rating of the Swedish Government has always been extremely high. During the ten-year period from 1904 to 1913 four representative bond issues on the London Stock Exchange sold at average prices to yield 3.78%, and for the same period three representative issues sold on the Paris Bourse at average prices to yield about 3.67%. This high standing is due in large measure to the consistent record the country has shown in its commercial development. The country has considerable natural wealth which is being developed along conservative lines. The principal industries are mining, agriculture, manufacturing, lumbering, fisheries and shipping. There are large iron ore fields in the central and northern parts of the country which contain deposits of the highest grade.

Sweden has extensive water power potentialities which are being developed and utilized for the benefit of the natural resources of the country. The total available supply is estimated at 6,750,000 horsepower, which is greater than the estimated available supply of either France or Italy.

IMPORTANT NEUTRAL EXTERNAL LOANS

Title	Rate	Due	Price
Argentine Loan of 1909	5	1945	77*
Argentine Loan of 1921	7	1923	97⅛
Argentine Ry. Resc. Guar	4	1952	55‡
Argentine Cedulas	6	Drawings	$300†
Agentine Unifcation	4	"	64‡
Argentine Loan of 1913	5	1949	69‡
Argentine Loan of 1905	5	Drawings	$270†
Chile Loan of 1921	8	1926	99¼
Chile Loan of 1921	8	1941	101½
Chile Loan of 1921	8	1946	100⅝
Chile Loan of 1911	5	Drawings	61‡
Norway Loan of 1920	8	1940	109¼
Norway Loan of 1886	3	Drawings	43‡
Norway Loan of 1888	3	"	45‡
Norway Loan of 1904-5	3½	"	48‡
Denmark Loan of 1920	8	1945	108
Denmark Loan of 1922	6	1942	94⅝
Denmark Loan of 1912	4	Drawings	63‡
Swedish Loan of 1919	6	1939	95
Swiss Loan of 1920	8	1940	115

*This loan is in sterling, payable at a fixed rate in dollars. Partly listed on New York Stock Exchange.

†Price is in dollars per 1,000 paper pesos.

‡Sterling loans.

United States investors are familiar with only one issue of Swedish Government bonds, although there are several sterling issues that have enjoyed an active market in London for many years. In 1919, the Government of Sweden, through a syndicate of bankers in the United States, offered an issue of $25,000,000 twenty-year gold bonds, bearing 6% interest. These bonds were dated June 15, 1919, and are due June 15, 1939. They were issued about one year before the rate of interest for foreign government loans took a decided jump. Just one year after this issue was brought out the Belgium Government had to pay 7½% for money in this country, and three months later the French Government came in the market for a $100,000,000 loan at 8%.

There are five Swedish Government loans listed on the London Stock Exchange, but the issues are small, and owing to the high price at which they have been selling in London, it has not been possible to bring them over here on attractive terms to American investors.

Switzerland

Switzerland holds a position of unique

(*Continued on page* 426)

Money, Banking and Business

New Year Continues Business Revival

Reduction in Cost of Credit—Short and Long Term Borrowing Affected—Prices Stabilized

By H. PARKER WILLIS

FOR the first half month of the New Year the outstanding feature of the business situation is undoubtedly a continued case of corporation credit and of money conditions generally. With a call rate falling to 3% and maintaining itself for some time past at between 3 to 4%, there can be no complaint of the rate for speculative or investment funds. Federal reserve banks have continued their process of gradual reduction of rates, the Southern and Western institutions gradually coming into line with those of the East and North. Predictions now assert a probable early cut to a still lower level in the Eastern institutions, a possibility which is foreshadowed by reduction of the acceptance rate. This acceptance reduction has in fact preceded the rate cuts of recent months with practical regularity, although there is of course no definite assurance of any connection between it and other discounts. What is of more importance than the call rate is the fact that time money, a very much better index of financial conditions, has fallen to 4½-4¾% for loans on mixed collateral. Examination of the graph representing this movement of money reflects the situation clearly, and shows the relative significance of the change that had taken place.

Corporation Borrowing Cheaper

The fact that funds are indeed reaching a lower level of cost not only in the short term field but also for capital purposes has been strikingly illustrated since the first of January by the better values of bonds. The upward movement which had been so marked during December has continued, although at a slower pace, prices adjusting themselves much more nearly to the changed value of short term borrowing in the open market. This better tone has extended itself throughout the entire range of bonds, taking in not only the best railroad securities but also high grade industrials, and continuing to be reflected in both foreign and domestic Government issues. Graphically the situation is summed up in the fact that the index of corporation credit plotted on the accompanying chart stands at 5.15; this figure representing the composite value of 10 high grade railroad issues. The situation can best be realized in all its bearings by contrasting the level of values now reached with that which existed a year ago. For this purpose Government bonds afford perhaps the best index of the situation, reflecting as they do an advance of about 12 points in representative issues taken as a guide. This high level of values may easily be damaged or lowered by the adoption of unwise legislation tending to weaken the borrowing power of the Government. Meantime, however, the Treasury has been well conducted during the past year, and the results furnish, therefore, a fair basis of comparison between values as now existing and those of twelve months ago. This is accordingly a reasonable measure of the improvement in Government credit; which, in turn, furnishes a very fair test of the improving level of industrial and private credit.

The Price Situation

In these circumstances, it would be naturally expected that prices should cease their decline. They had in fact already done so before the arrival of lower rates for money; nevertheless during the past three or four months there has at times been a slight additional downward movement. They are now apparently fairly well stabilized and show from month to month a slight improvement. The chart herewith presented represents Bradstreet's index which stands at 11.37 for the first of the month. Other price indexes moved in substantial conformity with the one selected as an example and show either stability or a condition closely approximating to it. Early advances in price of various staples are now predicted by Government authorities, included in the list being sugar and several other articles of general consumption. Copper has already shown the influence of a decided upward movement. While there has been a cut in crude oil values, and while a corresponding reduction in coal is expected by some, these changes are in many ways wholesome, the high cost of fuel being regarded as having been during the past year a very serious obstacle to the restoration of normal conditions. Indeed, one main trouble, during the past year, has been the difficulty of getting prices leveled or adjusted to one another, a process which has called for the cutting down of some unreasonably high charges just as it has required the advancing of many that had been depressed to a point unquestionably below cost of production. All indications now point to the belief that, for the present at least, a reasonable degree of stability in prices has been attained. This has for a long time been regarded as a really basic necessity as affording a solid foundation from which to start afresh in the upward movement of business toward normal.

Productive Conditions

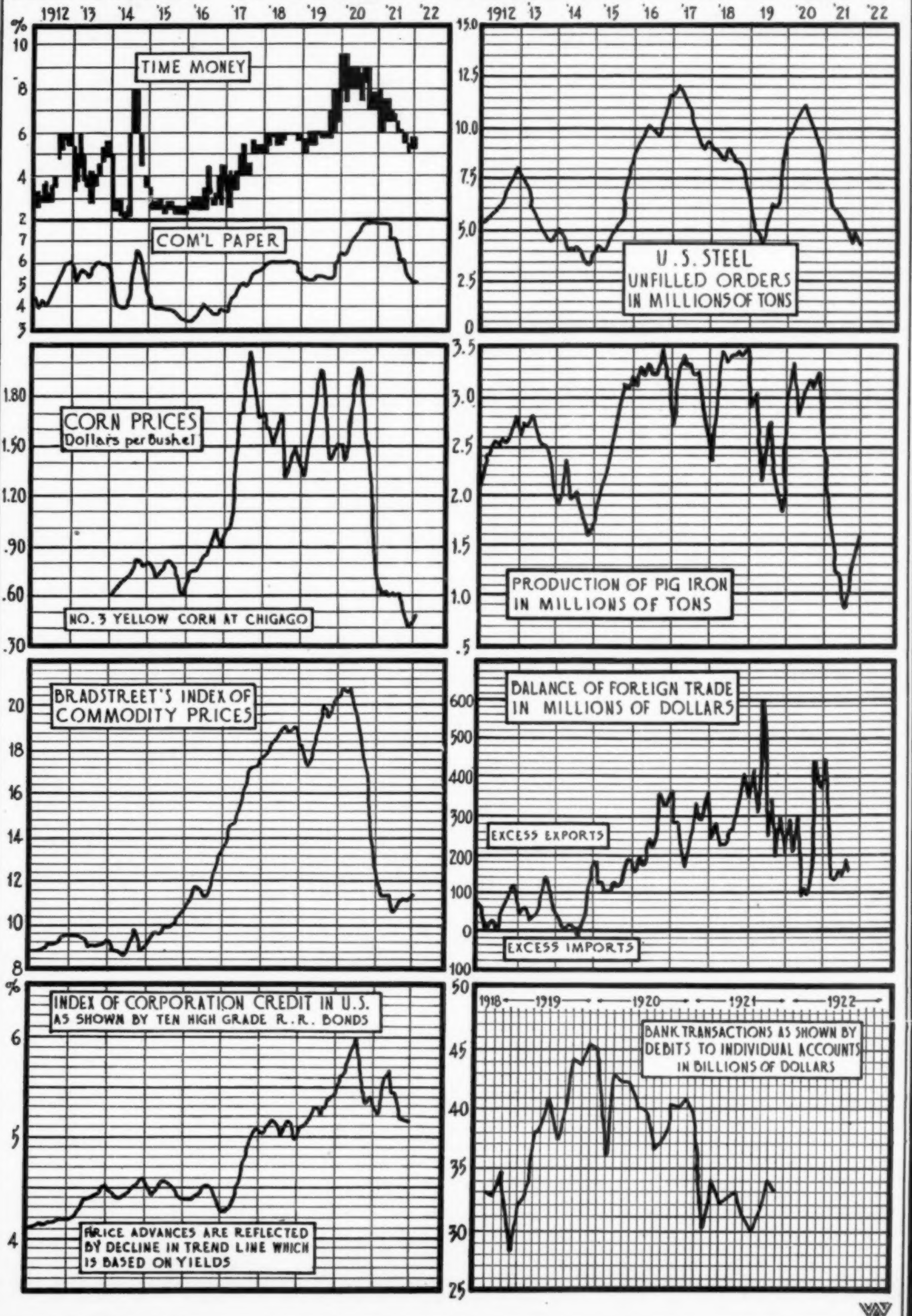
In the productive field, the situation continues to be hopeful just as it was a month ago, although still somewhat unsettled. The early weeks of the year have shown the usual seasonal recession of output but this as compared with last year has been relatively moderate. Unfilled orders in the steel industry continue to be a rather unreliable index of business conditions. They show a slight falling off, the amount as represented on the graph herewith being given by the U. S. Steel Corporation as 4,275,000 tons. Production, however, continues to hold up well as is shown by the fact that pig iron output for December was 1,649,000 tons, an increase over preceding weeks. It is not, however, to the steel industry that we must look for the best indexes of production under present conditions. A better guide is afforded by the textile and leather trades in both of which fairly satisfactory conditions are noted, although it is still true that uncertainty prevails because of the failure to receive advance orders so that the plants tend to work more largely from hand to mouth than heretofore. Still it is a fact that, taking the country as a whole, the indexes of production compare well with those of recent months and show an improving condition generally throughout the industrial system. The following table of indexes prepared by the Federal Reserve Board throws some light upon this condition of affairs and is worthy of study. Although the figures presented are a month behind owing to unavoidable delays in compilation the tendencies therein set forth are still continuing and in even more marked degree:

(*Continued on page* 436)

[000 omitted]

	November, 1920		November, 1921		October, 1921	
	Total	Relative	Total	Relative	Total	Relative
Receipts of live stock at 15 western markets (head)	5,960	100	5,217	87.4	5,637	94.6
Receipts of grain at 17 interior centers (bushels)	76,286	100	58,953	77.2	111,337	145.9
Sight receipts of cotton (bales)	1,804	100	1,704	94.4	1,943	107.7
Shipments of lumber reported by 3 associations (million feet)	593	100	743	125.3	891	150.3
Bituminous coal production (short tons)	51,457	100	35,955	69.8	43,741	85.0
Anthracite coal production (short tons)	7,441	100	6,859	92.1	7,560	101.6
Crude petroleum production (barrels)	38,699	100	37,750	97.6	35,621	92.0
Pig iron production (long tons)	2,935	100	1,415	48.2	1,247	42.4
Steel ingot production (long tons)	2,639	100	1,660	62.9	1,617	61.2
Cotton consumption (bales)	333	100	527	158.2	495	148.6
Wool consumption (pounds)	28,096	100	65,326	232.5	67,287	239.4

THE TREND OF MONEY, PRICES AND PRODUCTION



Outlook for New Advance in Commodity Prices

Situation Tending Toward Reversal of Recent Downward Movement—Present Price Levels Uneven—Rentals an Obstacle to Recovery

THE question of prices is agitating all business men perhaps more at the present time than at any other time in history. "Where will prices go?" is the favorite question nowadays.

After watching prices hurtling downward for many months, it is difficult to imagine them doing anything else. The force of habit is strong; and we have lately come to think in terms of low prices —and still lower prices. Everybody seems to want prices to go lower.

It seldom seems to occur to people that an era of low prices and unemployment is perhaps not quite so desirable as an era of high prices, trade activity and general prosperity.

Regardless, however, of the wishes of people on the subject, prices have a way of responding to the economic situation. The present situation, it is true, calls for a period of declining prices, but situations do not always remain the same. It is possible that conditions may shortly change so that instead of prices declining, the reverse may occur.

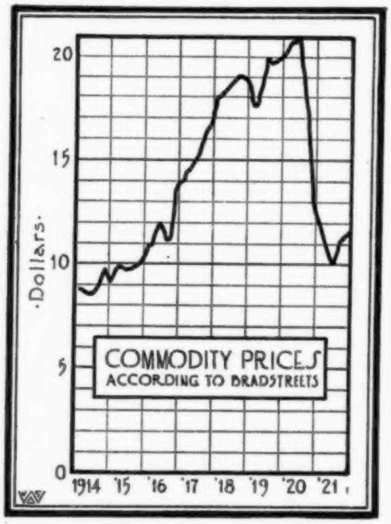
The Present Situation

From present indications, the prospect for higher prices hardly appears brilliant. Yet, viewing the situation more fundamentally, there are signs that forces are shaping themselves for what might be termed a period of secondary inflation. This does not mean a period of skyrocketting prices such as occurred in the feverish period of 1919-1920. The structure of world economics is too shaken to permit the repetition of such proceedings. Furthermore, there are many instances of prices that are still at too high a level in comparison with others. It does mean, however, that in instances where prices have declined too far in proportion to the general price level, an upward reaction is not only possible but probable. It is even desirable.

The outstanding fact about the present price situation is its uneven character. Commodities are selling out of line with one another. Thus, a bushel of corn will buy less cotton today than it would before the war. A ton of copper will buy less steel. In many industries wages will buy less in the way of necessities than for a number of years. Evidently certain elements of the population are profiting at the expense of other elements; or, to put it another way, certain elements of the population are not in so good a position as some others. The result is to unduly increase the burden on some interests and to lessen it on others. Finally, all interests must suffer from such a situation as ultimately it can do no element of the population any good if another element is laboring under an economic disadvantage.

It would make little difference whether prices were high or low, provided prices were in proportion, and this, of course, includes wages, salaries, incomes, etc. The rent situation is perhaps a good illustration. Rents today in most parts of the country have risen to a greater extent than the earning power of the masses. The result is that owners of real estate are benefiting at the expense of wage earners and salaried people. The latter, in turn, owing to the high proportions of their incomes which must be paid out in rents, are unable to buy as much of their other necessities as they require. This affects the agricultural interests, the shoe and clothing manufacturers and others dependent on the wage earning power of the masses.

A situation of this sort calls for ultimate rectification. Adjustment is vitally important unless the present depression is to be unduly prolonged. Prices, of course, are entirely subject to the law of supply and demand, and therefore their future depends on what is known as the statistical position of commodities. Where excessive stocks exist in proportion to the probable demand, such as is the case with sugar, for example, the outlook for higher prices is indeed dubious. On the other hand, where surplus stocks have been in the process of liquidation for a long period, and where production has been kept down in order to avoid the danger of accumulating excessive stocks, as in the case of copper, the outlook favors at least a moderately higher level.



Thus the outlook for prices cannot be judged broadly, but should be analyzed from the viewpoint of individual commodities. A commodity will always respond to its statistical position. When large stocks of cotton last Spring harassed the cotton growers, the price hung around the 12-cent level for months. It was not until publication of the announcement that the new cotton crop would reach a very small proportion of normal that the market turned, and from that time on prices commenced to rise until they are now about 50% above the level of last Spring. Copper worked out about the same way. Curtailed production increasing demand, resulted in a sounder internal position and prices commenced to rise from a 12-cent level until the present level of 14 cents, with every promise of a higher price to come. This has been the situation with the better-grade hides, with lead, with silver and a number of other commodities.

In fact there have been decided indications in the past few months that a number of commodities, particularly those which have been depressed to too low an extent, are resting on a sounder internal position and that they are ready to reflect this situation by higher prices with the materialization of the inevitable demand.

The Credit Situation

One of the prime causes of the drop in prices was the stringency of credit. In the past few months, however, commercial credit has become more plentiful and the outlook is that, for a time at least, credit will be more freely available than for a considerable period. This will enlarge potential buying power, create a greater demand for goods and ultimately raise the price level. This situation is, in particular, faced by business interests dependent on commodities which have been more or less fully liquidated and whose statistical position is strong.

No estimate of the probable future course of prices in this country is complete without taking into consideration the international trade position. Our inability to ship our surplus abroad, owing to the inability of foreign customers to buy, is a principal cause of trade depression and low prices over here. To a large extent, the future of prices in this country is dependent on the extent to which foreign trade recovers from the present lethargy.

All over the world there is a crying need for goods. The consummation of this demand awaits further progress with regard to international finance. However, steps along the right direction are being taken in this regard and there are already signs that the corner of world depression is being slowly turned. This must finally result in an abundant demand for our goods from all directions and consequently in a higher price level.

Broadly speaking, therefore, the average of prices in 1922 should be somewhat higher than that now existing, although, to be sure, many commodities will sell lower than present prices, due to individual factors not pertinent to the general situation.

As for the question of secondary inflation, it is at least apparent that prices have more or less thoroughly adjusted themselves. A new basis is being formed. A number of commodities have recently given signs of new strength. Others will follow. The situation has thus changed considerably in the past year. Some further changes even more striking in character are promised for the coming year. There are a number of instances where past losses on commodities will turn into profits.

Trade Tendencies

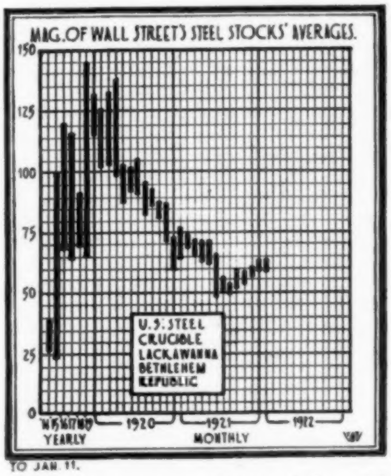
Further Slump in Business Activity

Unsettlement in Price Situation and General Uncertainty as to Immediate Trend Gives a Hesitating Air to Business

STEEL

Quiet Conditions

NO change is noted in the position of the steel industry. Consumers are pursuing a waiting policy with regard to new buying, although they show a greater disposition to release tonnages held on old contract. The inventorying season has not yet been completed and the steel industry must wait in abeyance of this development. A not unfavorable sign is that steel prices show no particular downward tendency, despite that new business is slow in coming in. On the other hand, competition is severe, with the less efficient and economical producers feeling this situation very keenly.



TO JAN. 11.

Among the individual markets, tin plate is holding its own. A very large order has recently come to light, with the Standard Oil Company of New Jersey as the purchaser. About 50% of this order is reported to have been placed with the Steel Corporation and the balance with the independents. The price situation in this market continues firm on account of the exceptionally good demand.

The steel pipe situation has become uncertain, owing to the drop in crude oil prices. Considerable hesitation has been manifested among consumers since the recent slash in crude oil prices, and the fact that the petroleum markets in general are displaying a weak tone will perhaps contribute to further uncertainty among buyers of steel pipe.

The sheet market is holding to the recent base, but new business is not coming in inspiring volume. The wire market is fairly firm, but operations are only at about 50% capacity for the mills, as a whole.

The position of pig iron is unchanged. The market is quiet and business is of the small lot description. No change is anticipated in the immediate future.

SPOT PRICES OF LEADING COMMODITIES

(See Footnote for Grades Used and Unit of Measure)

	1921 High	1921 Low	1921 Last*
Steel (1)	$48.50	$28.50	$28.50
Pig Iron (2)	30.00	18.00	19.00
Copper (3)	0.13⅝	0.11	0.14
Petroleum (4)	6.10	2.25	3.25
Coal (5)	3.00	1.80	1.90
Cotton (6)	0.21⅝	0.11	0.18⅛
Wheat (7)	2.04	1.08	1.11
Corn (8)	0.70⅛	0.44	0.47
Hogs (9)	0.11⅛	0.06⅝	0.07⅛
Steers (10)	0.11⅛	0.08¼	0.08⅛
Coffee (11)	0.09⅛	0.05⅝	0.09⅝
Rubber (12)	0.28	0.14	0.20⅛
Wool (13)	0.48	0.43	0.45
Tobacco (14)	0.25	0.15	0.20
Sugar (15)	0.06⅛	0.03⅛	0.03⅛
Sugar (16)	0.08⅛	0.04⅝	0.04⅝
Paper (17)	0.06⅛	0.03⅝	0.03⅝

*January 11.

(1) Open Hearth billets, $ per ton; (2) Basic Valley, $ per ton; (3) Electrolytic, c. per pound; (4) Pennsylvania, $ per barrel; (5) Pool No. 11, $ per ton; (6) Spot, New York, c. per pound; (7) No. 2 Red, Chicago, $ per bushel; (8) No. 3 Yellow, Chicago, $ per bushel; (9) Sight, Chicago, $ per bushel; (10) Top, Heavies, Chicago, c. per lb.; (11) Rio, No. 7, Spot, c. per lb.; (12) First Latex crepe, c. per lb.; (13) Ohio, Delaine, unwashed, c. per lb.; (14) Medium Burleigh, Kentucky, — per lb.; (15) Raw, Cubas 96°, Full Duty, c. per lb.; (16) Refined, c. per lb.; (17) Newsprint per carload roll, c. per lb.

THE TREND

STEEL—New Buying Shows Falling-Off with Manufacturers completing their Inventory Adjustments. Prices are not so weak as recently but competition is more severe. Merger of independent properties contemplated. Quiet conditions are likely to prevail for the next few weeks but a substantial amount of business will probably be booked by that period.

METALS—Copper is a little quieter and there have been a few instances of price concessions, particularly by small dealers. Surplus stocks down to more normal level. Outlook favorable for this metal and others, including lead and zinc.

OIL—Pennsylvania crude oil prices cut three times in succession. Refined products weak. Domestic and export demand not satisfactory. Outlook uncertain.

RUBBER—Tire manufacture shortly to increase. Other rubber manufacturers not actively engaged. Crude rubber fairly firm.

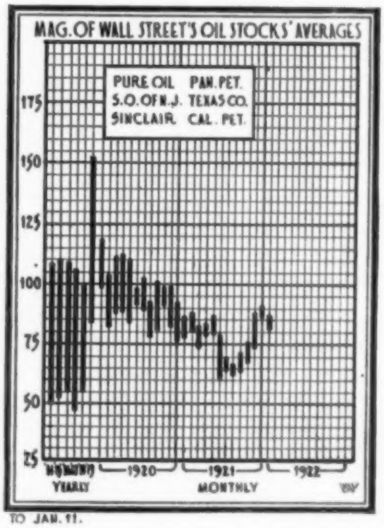
TOBACCO—Higher prices for crude product. Sale of cigarettes very good. Cigar production shows falling off. Lower wholesale prices not probable though there will be further adjustment in the retail trade.

SUMMARY—Present indications are that the recent loss in business activity will be made up slowly through increasing business at the end of the winter months. No great changes are likely for the present, however, and quiet conditions should prevail for a few weeks longer.

OIL

Crude Oil Declines

As forecasted in these columns, crude oil prices have been cut deeply. At the present writing Pennsylvania crude is selling at $3.25 a barrel, compared with $4.00 a barrel several weeks ago. Thus approximately 50% of the recent rise in Pennsylvania crude has already been lost. Factors impelling the decline have been described at full length in this MAGAZINE from time to time, and there is no necessity of going into this matter at full length. Suffice to say that the failure of refined products to reveal a substantial demand, coupled with the high rate of production, forced the inevitable result.



TO JAN. 11.

The situation at present is unsettled, which is a natural result of the decline in crude oil prices. Refined oil prices, however, have not yet been cut in proportion, which is surprising considering the large amount of stocks on hand.

In the gasoline market it is difficult to locate buyers who are willing to enter ex-

(Continued on page 432)

About Banks and Banking

What the Federal Reserve "Ratio" Means—How It Is Compiled—A Story About a Business Man and a Banker—Flushing National Bank's Stock

THIS department has been called upon to define the make-up and significance of the Federal Reserve "Ratio." It's a pretty large order. However, we can do our best.

The "Ratio" is compiled as follows: Take the report on "Condition of the Reserve Bank of New York" as of December 28, last. Find the figure marked "Total Reserves," and amounting to $1,114,114,440. Make this figure your dividend.

Now determine the *sum* of the two items "Total Deposits" ($716,092,184) and Federal Reserve Notes in Circulation ($663,329,116). This *sum* amounts to $1,379,421,300. Make that your divisor.

The quotient, 80.8%, is the "Ratio" of in a correspondingly good position. And vice versa.

Influential Factors

There are a great many factors which have a direct bearing on the Federal Reserve Ratio. As among the most important may be mentioned the following:

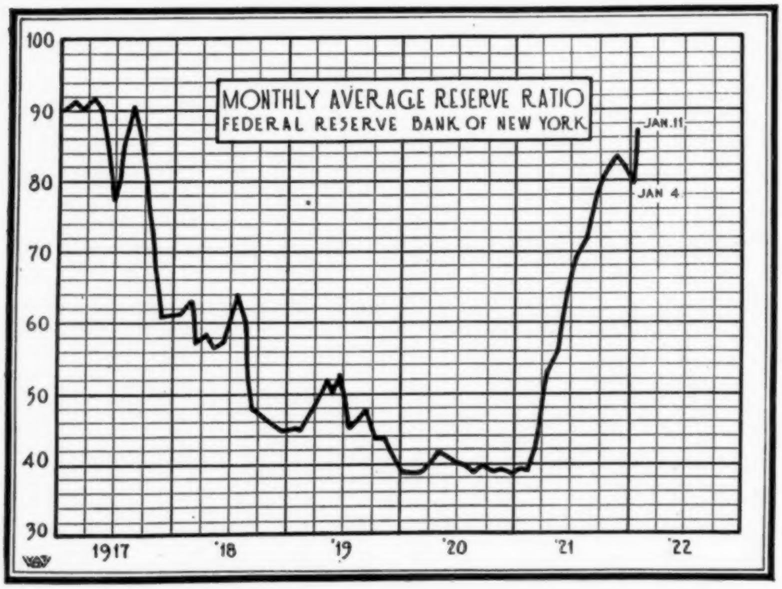
(1) Amount of Gold Held by Reserve Banks.

(2) Amount of Silver Held by Reserve Banks.

(3) Amount of Deposits of Member Banks.

(4) Amount of Loans of Member Banks.

(5) Amount of Federal Reserve Notes Issued by Reserve Banks.



the Federal Reserve Bank of New York as of the date given.

The "Minimum" Ratio

There is a minimum below which this Ratio cannot be permitted to fall. That is, certain penalties result if this minimum is passed. The minimum is 37½%. It is determined by a process springing from a certain provision of the Federal Reserve Act which reads as follows:

"Every Federal Reserve Bank shall maintain reserves in gold or lawful money of not less than 35% against its deposits; and reserves in gold of not less than 40% against its Federal Reserve Notes in actual circulation."

To assure adherence to both these requirements, it is common practice to strike a *mean average* between the two. That average, of course, is 37½%.

This 37½% figure is of use to the layman only insofar as it provides a basis of comparison. He can know that any ratio largely in excess of this minimum proves the bank under consideration to be

(6) Amount of Earnings Assets (witness changes resulting from investment by Reserve Banks of large sums in Liberty and Victory bonds).

(7) Amount of Re-discounting of Commercial Paper by Reserve Banks.

Study of these factors reveals the Federal Reserve Ratio to be a direct and truthful index of the credit situation, since every one of the factors affecting or controlling the ratio is grounded in the credit situation.

Significance of Gold Holdings

The importance of the Gold Holdings of the Reserve Banks hardly requires explanation. It is interesting, however, to consider the great increase in gold holdings in recent months, due to shipments of great amounts of the metal from Europe to this country. Of course, increased amount of gold held will force a higher "Ratio," other things being equal, just as increases in amount of silver held, resulting from any increase in amount of silver metal coined, will force up the Ratio.

Effect of Loans and Deposits

How changes in "Amount of Deposits of Member Banks" and "Amount of Loans of Member Banks" will affect the Ratio may best be shown by a simple example:

John Smith borrows $100,000 from the National City Bank. The National City Bank credits him with a deposit of that amount. This, of course, means an increase of $100,000 in the National City Bank's deposits.

Now, the Federal Reserve Act requires that member banks maintain with their Federal Reserve Bank an actual net balance equal to not less than 13% of the total amount of their demand deposits. Therefore, an increase of $100,000 in the demand deposits of the National City Bank must be followed by an increase of 13% of that amount, or $13,000, in that bank's reserve balance.

Thus, John Smith's need of credit, followed by an extension of credit by the National City Bank is, in turn, followed by an alteration in the National City Bank's balance with the Federal Reserve Bank and, finally, by an alteration in that Federal Reserve Bank's "Ratio."

But John Smith will eventually require a certain proportion of his borrowings in cash; and the same thing is true of all the loans which member banks make. Hence, extension of these loans results, not in large deposits alone, but in enlarged requirements for cash, which are met by issuance of Federal Reserve Notes.

The Chief Factor

The method by which the member bank secures both deposits and Federal Reserve notes from the Reserve Bank is the "rediscounting" process. Thus it is seen that this rediscounting is, probably, the chief factor in the Federal Reserve Ratio. Consideration of it leads up to two interesting conclusions which embrace practically the whole spirit and significance of Reserve Ratio.

It will be remembered that, not so many months ago, the member banks were called upon to discount large amounts of commercial paper for business organizations. For a long period, demand for this accommodation was on an increasing scale. Hard-pressed to meet the demand, the member banks called upon the Reserve Banks to *re-discount* large amounts of the paper which they, the member banks, had already discounted themselves.

Other things being equal, increasing demands upon the Reserve Bank's rediscounting facilities must have its effect upon notes and deposits, in the same way as described in the John Smith-City Bank transaction. That is, the more rediscounted paper outstanding, the smaller the reserve percentage will be.

Hence, the great amount of rediscounting done by the Reserve Banks was, in large measure, responsible for the comparatively low Federal Reserve Ratio which prevailed.

Which leads to the following conclu-

sions—in the opinion of this department the whole flesh and sinew of the Reserve Ratio:

Other things being equal (and, to all practical purposes, they generally are) the Ratio may be said to fluctuate in inversely with commercial activity, or what may be called "Active Prosperity." Great trade activity, leading to a wide demand for credit and a heavy drain upon the rediscounting facilities of the Reserve Banks will be reflected by a *declining* tendency in the Reserve Ratio; and, vice versa, dulness in trade will be reflected by an *advancing* tendency in the Ratio.

The Ratio will fluctuate directly with the Credit Resources and Credit Requirements of the country. A falling off in demand for accommodations (which inevitably results from trade depression) will mean less strain upon the Federal Reserve Banks. The less the demand, the greater will be the Ratio.

A graph, accompanying this article, shows the course of the Ratio of the Federal Reserve Bank of New York from 1917 to the present. It will be seen that the ratio declined steadily during the extremely active years 1917, 1918 and 1919; that it followed a comparatively even course in 1920; that, in 1921, it regained practically all of its loss, and that the second week in the current year ended with the ratio at 86.9%, or the highest point in years.

Asked by this department how he accounted for the high level now prevailing, an authority on the subject said: "The level of the reserve percentage at the present time can be attributed to two major factors, first, the large imports of gold, and, secondly, the decreased Reserve Deposits and Note Circulation—which means less discounting. Frozen credits have been liquidated."

Know Your Banker!

The following story is told by a reader of this department who has some decided opinions regarding the uses to which banks and bankers can be put by business men and private individuals:

"A friend of mine, whom we will call Brown, operated for a good many years a hardware store in a fair-sized suburban community.

"He was of the type that concentrates on what it is doing and doesn't use up energy on "side-lines." Among other activities which he avoided were social activities. He hadn't married and so there was nothing to prevent his having his way in this respect. I don't say that this was entirely in his favor; I merely mention it so you will understand why, although this fellow Brown had a bank account and had to go to the bank frequently, he practically never came into personal contact with the officers of the bank and knew very little about their type and their 'uses'"

"Last year, this fellow Brown got into a certain amount of trouble, like practically every business man in this country. He had stocked up, as usual, for his summer trade—that was the big 'season' in his business, what with the usual replacement demand for lawn-mowers, seeding, and harvesting tools, rakes, hoes, and whatnot—; and he hadn't more than about got his supply off the trains and into his warehouse than the business slump came along.

"Your magazine has told the story often enough of what happened after that and it's not necessary for me to go into detail about it. The kind of people that buy plows and harrows and buck saws were the first to feel the effects of the slump; they stopped buying, almost over night As a result, our friend Mr. Brown was stuck, if you don't mind a perfectly good, everyday word, with one of the biggest stocks of goods he had ever laid in; he had bills facing him that had to be paid if he was going to go on doing business; and he was forced to dip into his own personal principal for his running expenses.

"Well, I told you he hadn't met the town bankers—didn't know them, hadn't talked to them or about them—and so you can understand that it never occurred to him to go to them. He went, instead, to the few close friends that he had, in the effort to borrow funds; even went so far as to offer an interest in the business in return for a small loan. He found them 'close' friends, all right; but he didn't get his loan.

"Well the sum and substance of it all was this: Running expenses forced him to a point where the next check he drew on his bank would reduce his deposit below the minimum limit. Knowing what that limit was, and with the sole idea of getting special permission to draw below it, he went to his bank. Instead of going to the president he went to the paying teller. Naturally, the latter was without authority, and referred him to the president.

"Brown was in this way *forced* to meet the president. In the course of his plea for 'leniency' he was also forced for the first time in his business career to lay his cards on the table and describe his full circumstances from A to Izzard to somebody else. The president—and I bet his eyes twinkled when he did it—made Brown go back to his office, get his books, bring them back to the bank and go all over them, in this way finding out just what Brown's sales had averaged over the nine years he had been in business, just what his running expenses were, how economically the business had been run, where the 'leaks' were, if there were any leaks, what his turnover was, and so forth and so on.

"After two sessions like this, which consumed about eight hours altogether, Brown was called to the president's office for the third time. The old man started asking him some more questions. The strain on his nerves of the other two interviews; the worry about his business; the necessity of some immediate cash with which to meet current bills had brought Brown to a state bordering on hysteria. It had been like pulling teeth for him to go to the president in the first place and now, with what looked like another session ahead of him, he couldn't control himself any longer.

"Say!" he ejaculated, "how much more of this sort of thing do I have to put up with? Do you always put everybody through this mill that comes with a simple request about his checking account?"

"The old bank president was a *he* sort of a man and didn't hesitate to answer tartly:

"Why, you damn fool!" he said, "I'm not thinking about your check account. I'm trying to figure out just how much the bank will have to lend you to tide you over the next couple of years!"

"The reason I tell this story is this: There are thousands of business men just like Brown to be found in every county in the United States—men that don't tie up with their bankers and only go to them when they have to. These fellows seem to think that all a banker has to do is sit in an office, accept new accounts, pay out cash on checking accounts and sign bank notes. They don't seem to realize that the town bank is the keystone in the business arch—that the arch will fall if the bank isn't there and that the bank won't be there unless there is business enough to hold it up. Only they're not all as lucky as Brown was; they don't always find the officials of the bank they have been ignoring in 'good times' ready to go out of their way to help them when the bad times come!"

ACTIVE BANK STOCKS

	Jan. 2	Jan. 16
American Exchange National	245—250	247—253
Chase National	285—290	283—288
Chatham & Phenix	257—267	220—230*
Chatham & Phenix rights	36—39	....
Chemical National	495—505	515—530
First National	925—945	920—940
Hanover	820—840	820—835
Irving National	195—200	193—197
Mechanics & Metals	350—360	325—350
National City	350—360	320—340
National Park	402—408	402—410
Seaboard	235—245	255 Bid

* Ex-rights

Flushing National Bank Stock

The following inquiry has been received:

Bank Editor, THE MAGAZINE OF WALL STREET:
Sir: I would like information concerning the stock of the Flushing National Bank, Flushing, Borough of Queens, New York. Can you advise me if they have paid a recent dividend? If so, what per cent, and when? Also, what is the present value of the stock?—A. H. G.

Flushing National Bank pays 2% semi-annually, or 4% annually. The last dividend was declared payable January 3, 1922. The stock is quoted, at this writing, 110 bid, none offered.

The Bond Market

Three Good Short Term Issues

Attractive Possibilities Offered by These Bonds

***By* R. M. MASTERSON**

THE short term investment is a type that appeals to many investors who desire to keep a certain portion of their funds in a form that may be readily liquidated with a minimum possibility of depreciation of principal. The theory of the short term investment is that, owing to the early maturity, the market price (provided the issue is sound) will always be close to par. Over the past several years a great many short term obligations have come on the market. The cause of this large amount of short term financing has been the extremely high interest rates that have prevailed, making it desirable for concerns in need of funds to resort to the issuance of early maturity obligations in the hope that the refunding of the issue might be accomplished by the issuance of a lower interest rate obligation at a later date.

Of the various short term notes and bonds, several issues stand out from the others as being particularly attractive for one reason or another. Out of a long list of available issues of this type the writer has selected three—two of the issues chosen offer what seem to be splendid profit possibilities through the operation of conversion privileges, while the third issue has been selected primarily for its high yield to bring up the return on the combined investment.

Bethlehem Steel 7s

The first choice is the Bethlehem Steel Corporation Secured 7% Notes, due July 15, 1923. These notes are outstanding in amount of $20,000,000 and are the final maturity of a total original issue of $50,000,000, the balance having either matured or been redeemed. The notes are a direct obligation of the Bethlehem Steel Corporation, issued under an indenture in which the Bethlehem Steel Company (Bethlehem Steel Corporation's principal subsidiary) joins, and they are secured by pledge with the trustee of Consolidated Mortgage 30-Year 6% Sinking Fund Gold Bonds, due August 1, 1948, which are pledged in the ratio of $7,000 6% bonds behind each $5,000 7% note.

Space will not permit going very deeply into an analysis of the Bethlehem Steel Corporation, but it is sufficient to say that it is one of the largest and most successful of the independent steel companies. A consolidated balance sheet, dated December 31, 1920 (latest available), showed total net assets, after depreciation, of over $333,600,000 behind a total outstanding funded debt of $144,633,613. Net income available for interest charges for 1920 amounted to $22,410,038, against total interest requirements of $7,951,203. No detailed figures have yet been given out for 1921, but in October of that year President Eugene G. Grace (Charles M. Schwab is chairman) stated that net for the nine months to September 30, 1921, had been more than sufficient to cover dividends on all classes of outstanding stock. This is quite a remarkable performance under the decidedly unsatisfactory conditions of 1921, as most steel companies experienced difficulty even in meeting fixed charges. The total outstanding stock amounts to over $104,000,000 in various classes of preferred and common, all of which are paying their regular dividends.

The 7% notes of July 15, 1923, are convertible into the 6% Consolidated Mortgage Bonds of 1948 at a price for said bonds equivalent to a 6½% yield basis, at any time up to and including March 15, 1923, or if notes are called for redemption until such redemption date. This means that when the conversion is made the price at which the bonds would yield 6½% to maturity is determined and a cash adjustment made to the holder of the notes for the difference. At the present time the price at which the bonds would yield 6½% would be about 93½, so that if the exchange were made now a holder of a $1,000 note would receive a $1,000 6% Consolidated Mortgage Bond and about $65 in cash, with the necessary adjustment for difference in interest.

The Consolidated Mortgage Bonds are a well secured obligation, and when general conditions return to a normal basis they should sell well above the conversion price. (For a complete description of the bonds write to the Bethlehem Steel Company for a copy of circular to note holders dated December 24, 1921.) Even in the current market, a price of 93½ would not be out of line for them. The company has announced its intention tq immediately apply for the listing of the bonds on the New York Stock Exchange and active trading in them may be expected to take place in the near future.

At their present price of a fraction over par, the value of the 7% notes of 1923 may readily be appreciated. If the bond market should continue its advance of the closing months of last year, the notes are sure to appreciate in value owing to this conversion privilege, while on the other hand, if a further rise does not come about, a purchaser is assured of a return of his principal, with good interest, on July 15, 1923.

Consolidated Gas 7s

The Consolidated Gas Company of New York, directly and through its subsidiaries, does practically the entire gas and electric light and power business in the Borough of Manhattan, New York City, and in large parts of the Bronx and Queens and in Westchester County, serving a population of upwards of 4,000,000. It owns a number of subsidiary companies, including the New York Edison Company, which is one of the largest electric companies in the country.

The company's outstanding capitalization consists of $25,000,000 7% convertible bonds of February 1, 1825; $20,000,000 one-year 7% notes, due December 1, 1922, and $100,000,000 capital stock in shares of $100 par value. The 7% bonds of 1925 are a direct obligation of the company, which covenants in the trust agreement not to execute any mortgage upon or make any pledge of any part of its property, other than shares of stock owned by it, unless all the convertible bonds be secured equally and ratably therewith. In addition, these bonds are further secured by pledge with the trustee of $35,000,000 par value, over a majority, of the capital stock of the New York Edison Company. According to the balance sheet dated December 31, 1920, the value of the com-

(Continued on page 434)

SHORT TERM ISSUES

	Rate	Maturity	Redeemable	Convertible	Market	Approximate Price	Approximate Yield
Bethlehem Steel Corp.	7%	July 15, 1923	100½-100	Into Cons. Mtg. 6s of 1948 at 6½% basis.	N. Y. Curb	100¼	6.82%
Consolidated Gas Co.	7%	Feb. 1, 1925	102½-101	Into Capital Stock at par.	N. Y. Stk. Ex.	103½	5.88%
American Cotton Oil Co.	6%	Sept. 2, 1924	102	....	Outside Mkt.	94½	8.35%
					Average		7.01%

BOND MARKET CONTINUES FIRM

Fluctuations Narrow and Confined to Few Issues—The Future of Prices

FLUCTUATIONS in the bond market during the two weeks just passed were again comparatively narrow, with trading less active. The tremendous investment demand that was aroused by the high yields available a few months ago and which resulted in one of the most remarkable bond markets Wall Street has ever had seems, for the moment, to have been satisfied. Then, too, the fact that yields have declined to a point substantially below that prevailing heretofore has been a restraining influence.

Looking over the list according to the divisions made in the Guide, it will be seen that such changes as occurred were limited to 1 or 2 points. Losses, such as that of about 3 points in International Paper 5s of 1947, and the gain of 3 points in the Baldwin Locomotive 5s of 1940 were the exception.

Is the Rise Over?

The question, "Is the upward movement in bonds over?" is in the minds of many investors. To answer it, consideration should be given to such changes as have occurred in the factors affecting the market. A most important change has been the renewed improvement in money rates the general level of which, at this writing, is 4¾-5%. This change is natural in view of the remarkable position reached by the banks. It is a development of supreme importance to the bond market. A glance at the yields to be had from high grade issues shows that the development has not yet been discounted.

New financing has not been in large amounts, barring municipal financing, which has reached a scale where it threatens to become a veritable deluge. As pointed out elsewhere in these columns, municipal financing in 1921 reached the unprecedented total of over 1-billion dollars, and the end is not yet. This movement is, undeniably, in direct competition with any movement toward higher prices in the bonds of legitimate industry.

The early year re-investment demand has not yet, in the belief of many observers, begun to manifest itself in the proportions it is liable to assume. However, this is a factor that cannot be accurately estimated.

Altogether, the influences for and against higher bond prices seem about balanced. The whole market, moving as a market, does not seem likely to advance substantially for the time. The investor's opportunities lie now in judicious selection of the issues which the Guide shows to be selling out of line with those of their class.

It will be noticed that the best opportunities in the bond market are now generally contained in the middle-grade and speculative bond issues. Gilt-edge bonds have in many instances discounted the lower money rates, although there are a number of individual opportunities still left. Most of the middle-grade and speculative issues, however, are still selling out of line, and quite probably the best opportunities for profit exist in that department of the bond market, for the time being at least.

(*Continued on page 422*)

BOND BUYERS' GUIDE

		Apx. Price	Apx. Yield	Int. Earned on entire funded debt‡
	BETTER GRADE.			
	Foreign Governments.			
1.	City of Christiania (b) 8s, 1945	106	7.45	..
2.	Danish Municipal (b) S. K. 8s, 1946	106	7.45	..
3.	City of Zurich (b) 8s, 1945	107	7.35	..
4.	City of Copenhagen (b) 5½s, 1944	85¾	6.75	..
5.	Kingdom of Sweden 6s, 1939	94⅝	6.55	..
6.	Argentine (c) 5s, 1945	77	7.05	..
7.	U. K. of Gr. Britain & Ireland (c) 5½s, 1937	97⅝	5.75	..
8.	Dominion of Canada (c) 5s, 1931	95⅝	5.70	..
	MORE SPECULATIVE.			
1.	Kingdom of Belgium (a) 6s, 1925	95	7.90	..
2.	Kingdom of Italy (d) 6½s, 1925	92½	9.45	..
3.	Republic of Chile (b) 8s, 1941	101¾	7.80	..
4.	Sao Paulo (b) 8s, 1936	100½	7.90	..
5.	U. S. of Brazil 8s, 1941	103⅝	7.60	..
	GILT EDGE.			
	Railroads.			
1.	Balt. & Ohio S. W. Div. (b) 1st Mtg. 3½s, 1925	89½	6.50	.80
2.	Ches. & Ohio (a) Genl. Mtg. 4½s, 1992	83¼	5.40	2.20
3.	Delaware & Hudson (a) 1st & Ref. 4s, 1943	85¾	5.15	1.65
4.	Southern Pacific (b) 1st Ref. 4s, 1955	84½	5.20	1.65
5.	Chic., Burl. & Quincy (a) Genl. Mtg. 4s, 1958	86½	4.75	2.40
6.	Union Pacific (b) 1st Mtg. & L. G. 4s, 1947	87½	4.85	3.65
7.	N. Y., Chic. & St. Louis 1st Mtg. 4s, 1937	85	5.45	2.35
8.	Atlantic Coast Line (a) 1st Mtg. 4s, 1948	85	5.05	1.55
9.	Pennsylvania (a) Genl. Mtg. 4½s, 1965	86¾	5.75	2.00
10.	West Shore (a) 1st Mtg. 4s, 2361	78¾	5.15	**
11.	Norfolk & Western (a) Cons. 4s, 1996	85⅞	4.65	3.95
12.	Central R. R. of N. J. (a) Genl. Mtg. 5s, 1987	103⅞	4.80	1.40
13.	Atchison (b) Genl. Mtg. 4s, 1995	85⅞	4.65	3.90
14.	Chic., R. I. & Pacific (a) Genl. Mtg. 4s, 1988	80⅛	5.05	1.00
	Industrials.			
1.	Diamond Match (c) Deb. 7½s, 1935	109⅛	6.40	†
2.	Armour & Co. (a) R. E. 4½s, 1939	86⅛	5.75	6.75
3.	General Electric (b) Deb. 5s, 1952	95	5.35	5.55
4.	International Paper (a) 5s, 1947	87	6.00	16.70
5.	Indiana Steel (a) 5s, 1952	97¼	5.15	**
6.	Liggett & Myers (aa) Deb. 5s, 1951	92¼	5.50	4.80
7.	Baldwin Loco. (a) 5s, 1940	99½	5.05	2.65
8.	National Tube (a) 5s, 1952	96	5.25	**
9.	Corn Products (a) 5s, 1934	96	5.45	60.70
10.	U. S. Steel (a) 5s, 1963	100	5.25	8.70
	Public Utilities.			
1.	Duquesne Light (b) 6s, 1949	100½	5.95	3.40
2.	Pac. Tel. & Tel. (a) 5s, 1937	93	5.70	1.75
3.	Amer. Tel. & Tel. (c) 5s, 1946	92½	5.55	4.80
4.	Philadelphia Co. (c) 6s, 1944	94¼	6.55	4.15
5.	N. Y. Telephone (b) 6s, 1941	101	5.88	**
6.	Montana Power (c) 5s, 1943	93¼	5.50	2.90
7.	Cal. Gas & Electric (a) 5s, 1937	89⅛ bid	89⅞ asked	4.15
8.	N. Y. G., E. L., H. & P. (a) 5s, 1948	93	5.50	2.10
	MIDDLE GRADE.			
	Railroads.			
1.	Southern Pacific (b) Col. Trust 4s, 1949	78¾	5.55	2.40
2.	Illinois Central (b) Col. Trust 4s. 1952	81	5.25	2.25
3.	Balt. & Ohio (b) 1st Mtg. 4s, 1948	76½	5.75	.80
4.	Norfolk & Western (a) Conv. 6s, 1929	103½	5.35	3.95
5.	Atchison (a) Conv. 4s, 1960	91¼	4.45	3.90
6.	St. Louis-San Fran. (a) Prior Lien 4s, 1950	68¾	6.40	1.60
7.	Cleve., Cinn., Chic. & St. L. (a) Deb. 4½s, 1931	85	6.75	2.40
8.	Ches. & Ohio (b) Conv. 5s, 1946	85	6.25	1.55
9.	Pere Marquette (c) 1st Mtg. 5s, 1956	89⅛	5.70	2.05
10.	Kansas City Southern (a) 1st Mtg. 3s, 1950	64	5.55	1.70
11.	N. Y., Chic. & St. Louis (a) Deb. 4s, 1931	81	6.65	2.35
12.	St. Louis Southwestern (a) 1st Mtg. 4s, 1989	75	5.35	2.00
	Industrials.			
1.	Wilson & Co. (a) 1st 6s, 1941	93⅞	6.60	2.10
2.	Comp. Tab. & Recording (b) 6s, 1941	92	6.75	5.45
3.	Adams Express (b) 4s, 1948	75	5.85	2.60
4.	Int. Merc. Marine (b) 6s, 1941	90¼	6.90	5.15
5.	Lackawanna Steel (c) 5s, 1950	82¼	6.35	6.90
6.	Bush Terminal Bldg. (a) 5s, 1960	87	5.85	2.35
7.	U. S. Rubber (c) 5s, 1947	86½	6.05	5.00
8.	Amer. Smelting & Refining (c) 5s, 1947	87	6.00	9.55
9.	Goodyear Tire (c) 8s, 1941	110⅝	7.00	x
10.	Du Pont de Nemours (c) 7½s, 1931	103½	7.00	..
	Public Utilities.			
1.	Public Service Corpn. of N. J. (a) 5s, 1934	74	8.40	..
2.	Detroit Edison (c) Ref. 5s, 1940	90	5.90	2.80
3.	Brooklyn Union Gas (a) 5s, 1945	88	5.95	1.35
4.	Northern States Power (b) 5s, 1941	88¾	6.00	1.80
5.	Brooklyn Edison (c) 5s, 1949	89⅞	5.75	2.20
6.	Utah Power & Light (a) 5s, 1944	89	5.90	1.80
7.	Cumberland Tel. & Tel. (b) 5s, 1937	89¼	6.10	1.70
	SPECULATIVE.			
	Railroads.			
1.	Western Maryland (a) 1st Mtg. 4s, 1952	60	7.25	.70
2.	Iowa Central (a) 1st Mtg. 5s, 1938	73¼	7.90	..
3.	St. Louis Southwestern (a) Cons. Mtg. 4s, 1932	68⅝	8.75	2.00
4.	St. Louis-San Francisco (a) Adj. Mtg. 6s, 1955	71¾	8.60	*1.90
5.	Southern Railway (a) Genl. Mtg. 4s, 1956	61¾	6.95	1.85
6.	Missouri Pacific (b) Genl. Mtg. 4s, 1975	60½	6.75	.90
7.	Carolina, Clinch. & Ohio (c) 1st Mtg. 5s, 1938	83⅝	6.65	1.40
8.	Minneapolis & St. Louis (a) Cons. Mtg. 5s, 1934	70⅛ bid	72 asked	.50
9.	Denver & Rio Grande (c) 1st Ref. 5s, 1955	44	11.70	1.15
	Industrials.			
1.	Chile Copper (b) 6s, 1932	84¼	8.25	3.80
2.	Va.-Carolina Chemical (c) 7½s, 1932	94¼	8.35	2.75
3.	American Writing Paper (a) 6s, 1939	83⅛	7.75	1.90
4.	American Cotton Oil (a) 5s, 1931	83	7.50	3.15
	Public Utilities.			
1.	Hudson & Manhattan (c) Rfdg. 5s, 1957	76	6.80	*1.00
2.	Intr. Rapid Transit (a) 5s, 1966	56	9.05	*2.00
3.	Third Avenue (b) Refg. 4s, 1960	56¼	7.50	*1.20
4.	Va. Rwy. & Power (a) 5s, 1934	Offered @ 77		1.90

(aa) Lowest denomination, $5,000. (b) Lowest denomination, $500.
(a) Lowest denomination, $1,000. (c) Lowest denomination, $100.
(d) Lowest denomination, $50.

xThis issue was created on May 1, 1921.

†This issue, which represents the entire funded debt of the company, was created on Nov. 1, 1920.

*Number of times over interest on these bonds was earned.

**Earnings are not reported separately.

‡This represents number of times interest on the companies' entire outstanding funded debt was earned, based on actual earnings of last five years.

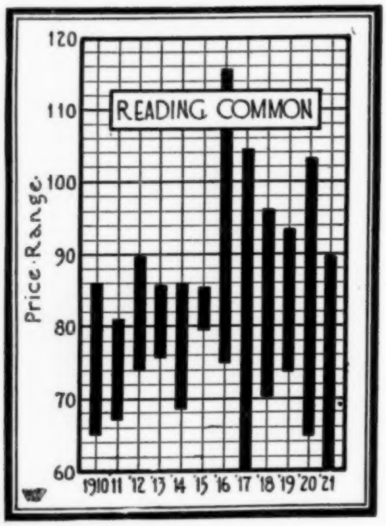
Railroads

Four Valuations of Reading Common

Under Either a Favorable or Unfavorable Supreme Court Decision—Coal Distribution Question to Be Settled Soon—Value of Railroad Property

By **ARTHUR J. NEUMARK**

IN view of the fact that the controversy between the Reading preferred and common stockholders bids fair to be settled in the course of a few months, it seems pertinent to review the entire situation at the present time, with the idea of determining the value of Reading common under either a favorable or unfavorable decision by the Supreme Court, and to ascertain the possibilities for speculation in this security at its current selling price. It is not the intention of the writer to make any prognostications as to what the court may decide, but merely to present both sides of the picture. Our first step will therefore be to determine the value of the coal properties which are to be segregated from the Reading Co.



Asset Value of Coal Properties

The Reading Co. owns all of the capital stock of the Philadelphia & Reading Coal & Iron Co., which company in turn controls the Delaware Coal Co. Reading carries this investment on its books at $77,300,000. Of this amount, $69,357,000 represents advances to the coal company, and $8,000,000 its entire outstanding capital stock. The balance sheet of the Philadelphia & Reading Coal & Iron Co. as of December 31, 1920, showed net assets of $76,000,000, after deducting the amount owed to the Reading Co.

Since the segregation plan calls for a payment of $35,000,000 from the coal company, $25,000,000 in first mortgage 4% bonds, and $10,000,000 in quick assets, the $69,357,000 debt of the Coal & Iron Co. will be released for about 50% of its value. The net result of this plan will be to increase the asset value of the proposed issue of 1,400,000 shares of capital stock of the new coal company by $34,300,000, bringing the total asset value to $110,300,000, or the equivalent of $79 per share of stock. The company is rich in its deposits of unmined coal, latest estimates placing the figure at over two billion tons.

Earning Power

Of far greater importance in determining the value of the new coal company stock is an estimate of the company's normal earning power. For the three years ended December 31, 1920, Philadelphia & Reading Coal & Iron earned on an average of $5,100,000 net, before interest charges and taxes. The new issue of first mortgage bonds would require $1,000,000 per annum, leaving a balance of $4,100,000 available for the 1,400,000 shares of capital stock, or the equivalent of about $3 a share. If 1920 earnings alone were taken, the balance would have amounted to $4.70 a share. Philadelphia & Reading Coal & Iron Co. could easily maintain a $2 dividend per annum, and on the basis of the 1920 earnings, a $3 dividend could be paid. All in all, taking into consideration the potential earning power of the company and the vast resources owned, $35 a share seems to be a very conservative estimate of the capital stock.

Plan I

Assuming the new coal company stock is to be divided equally among Reading preferred and common stockholders, each share of common would contain $17.50 of coal property value, less a $2 assessment per share, or a net value of $15.50 per share.

Plan II

On the other hand, if the decision of the Supreme Court were to be in favor of the common stockholders, the net value of the coal properties would be equivalent to $31 a share of Reading common.

We thus see what proportion of the present selling price of Reading common represents the value of the coal rights under Plan I, and what value is represented by Plan II. Let us now ascertain the value of Reading common minus the coal properties.

Philadelphia & Reading Railway

The Philadelphia & Reading Railway is controlled by the Reading Co. through ownership of its entire outstanding capital stock. The proposed segregation plan contemplates the consolidation of these two companies. In determining the future earning power of the Reading Co., all inter-corporate accounts must therefore be eliminated. For instance, the Reading Co. owns the entire issue of Purchase Money Mortgage bonds of the Philadelphia & Reading Co., $20,000,000, on which it receives the $1,200,000 of inter-

READING INCOME ACCOUNT.

(000 Omitted)

Net Earnings after Taxes..		$19,634
Rent of Leased Lines.....	$3,489	
Total Interest Charges....	6,081	
Total Fixed Charges......		9,570
Net Income		$10,064
*Other Income		2,250
Total Income		$12,314
Preferred Dividends		2,800
Bal. Available for Common.		$9,514
Amount Per Share........		$6.80

*Other income includes interest on 1st mtg. bonds of new coal company, and an estimated return of 6% on the cash received from coal company and stockholders. Also includes a 6% return on the money received from the sale of Central R. R. of N. J. stock, explanation of which will be found on the next page.

DIFFERENT VALUATIONS OF READING COMMON

1		2		3		4	
Coal Property Distribution as of Plan I............	$15.50	Coal Property Distribution as of Plan I.............	$15.50	Coal Property Distribution as of Plan II............	$31.00	Coal Property Distribution as of Plan II............	$31.00
Value of New Reading Common on a $4 dividend basis	57.00	Value of New Reading Common on a $5 dividend basis	68.00	Value of Reading Common on a $4 dividend basis....	57.00	Value of Reading Common on a $5 dividend basis......	68.00
Minimum Value of Common.	$72.50	Value of Com. as per this plan	$83.50	Value of Com. as per this plan	$88.00	Value of Com. as per this plan	$99.00

est paid by the subsidiary company. Again, Reading Co. owns all the equipment used by the railway company. The latter company pays for the use of this equipment. Both of these items may be eliminated in estimating future earning power, as it would simply be a question of deducting the amount in one place and adding it in another, if these items were included. The combined earning power and charges of the new company, based on the period of Government Guarantee (June 30, 1915, to June 30, 1917 inclusive) would be as indicated by the income account on the previous page.

Central R. R. of N. J.

The Reading Co. owns $14,500,000, or about 52% of the total stock of the Central R. R. of N. J. The annual dividend on this stock is 12%, amounting to $1,740,000 per annum for Reading. Against this stock the Reading Co. issued $23,000,000 of Reading-Jersey Central Collateral Trust Gold 4s, the annual interest on which is $920,000. Thus, through the ownership of this stock, Reading has been making a net profit of $820,000 per annum. The government has decreed that Reading must part with this stock. Assuming that the stock was sold at the current market price of $184 per share, the company would receive $26,580,000. The next step would be for Reading to exercise the callable feature of the Collateral Trust bonds outstanding (bonds are callable at 105), as a result of the sale of the collateral behind these bonds. This would cost the company $24,150,000, leaving a net profit on the transaction of $2,430,000. An income of 6% per annum on this additional capital has been figured in the above income account.

It will thus be seen that the new Reading Co. should have an earning power of close to $7 a share on its common stock under normal operations. At present this class of stock pays $4 per annum. For the year 1921, which was not a very favorable one for the railroads, especially the coal roads, Reading, on the basis of the above charges and other income, would have earned a balance of about $2.50 a share on the common stock. With a return to normal operations, and the segregation plan an accomplished fact, the writer believes that Reading will be able to earn its $4 annual dividend substantially over, in fact, will probably be able to pay $5 per annum without any difficulty.

Valuation of New Reading Co.

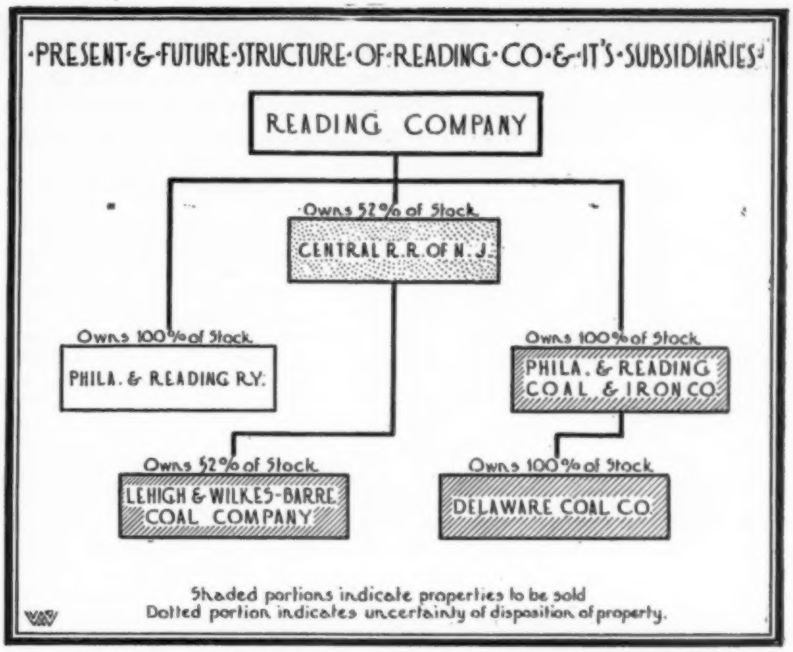
On a $4 dividend basis, at the present level of high grade railroad investment stocks, Reading is entitled to sell around $57 a share, and on a $5 dividend basis the stock should sell around $68 a share, or as a railway proposition alone, within 6 points of where it is selling now with the coal rights included.

The table on page 390 shows the various possible valuations for Reading common, as indicated by the above calculations.

Conclusion

The excellent speculative possibilities in Reading common at the present price of $74 a share can be seen at a glance from the accompanying valuation table.

It will be noted that the lowest possible valuation is almost equal to the present selling price of the stock, and that there is a possibility of enhancement in value of anywhere from $11 to $27 a share.



The market for railroad securities has been decidedly irregular and reactionary for the past couple of months, but Reading has held firm to its present price, and in the opinion of the writer is in an excellent position to respond to more favorable market conditions.

Why Pennsylvania R. R. Adopted Regional System

President Rea Explains Objects—One Purpose to Improve Services to Shippers in and About "Pittsburgh Gateway"—Chief Aim to Restore Efficiency

IN a letter dealing with the regional system of operating the Pennsylvania Railroad lines, Samuel Rea, President of the Company, points out that experience with it has been sufficient to prove its success from the standpoint of the traveling and shipping public and the Company's stockholders and employes.

"The Regional System," says Mr. Rea, "for the operation of the Pennsylvania Railroad was adopted after very careful consideration upon the return of the railroads from Federal Control.

"One of the prime objects in adopting the new system of operation was to facilitate the movement of traffic in, about and through what is known as the Pittsburgh Gateway, and also to better serve the shippers in that territory. Prior to the adoption of the Regional System, our Lines were split at Pittsburgh in their operation, and shippers in that territory were required to consult with two sets of officers for shipments on the same railroad, resulting in many complaints of inconvenience and delays.

"Another object sought was to decentralize and to operate the System as a whole, but having responsible officers located at different important centres so as to promptly respond to calls from the public and render more efficient service.

"But above all, the Regional System was essential to restore effectiveness of labor and reduce the wastes that had crept into railroad operation during the war, and to revive clearly in the minds of all officers and employes that they were responsible to the public at large and not to a system of bureaus at Washington or elsewhere.

"Realizing that the problems of labor, transportation and efficiency could not be dealt with from a central office, and to get into immediate contact with the public and the employes in whose interests this reformation had to be effected, we utilized experienced officers, theretofore concentrated at either Philadelphia or Pittsburgh, and placed them in the Regions.

"This is most essential from the standpoint of the shipper and traveling public when you consider that the property of the Pennsylvania System devoted to public use represents about one-tenth of the entire railroad property of the country. It operates in the most densely populated sections. We felt that it was incumbent upon the Company to adapt itself to the changing conditions of business and to meet in every proper way the demand for prompt and efficient service.

"To accomplish this we adopted the regional organization, at which time, on February 11, 1920, the President of the Company issued a public statement fully explaining the reasons for the change, but

(Continued on page 439.)

Speculative Opportunities in Railroad Stocks

New Conditions Affecting Railroad Values—An Attempt to Estimate Future Earning Power—Detailed Discussion of Six Issues

By BENJAMIN GRAHAM

THE purpose of this article is to discuss a number of railroad issues which have good speculative possibilities, i. e., which under favorable conditions may increase substantially in market price. Our attention must therefore be confined to the low-priced issues, because—as is well known—they are subject to much wider fluctuations proportionately than the standard shares. To use a ready example, it would be by no means impossible for M. K. & T. new common to advance from 8 to 16 in a good rail market; but a corresponding doubling in the price of Union Pacific (from 120 to 240) is practically out of the question. In connection with the issues treated, we must inquire, first, "What are the factors which will contribute most directly to an increase in value?," and second, "What are the prospects of these factors being realized in the near future?"

But in order to judge intelligently of the position of the individual companies, it is essential that the reader have some idea of the very extraordinary present status of the railroads as a whole. The developments of the past few years have injected into the country's transportation system a new speculative feature of the greatest importance. For, in determining the prosperity of any one road the emphasis has been transferred from capitalization (a *fixed* element) to operating costs (a distinctly *variable* element). The test of strength has come to lie in a highly uncertain factor, and hence the status of the carriers as a class has grown essentially speculative.

Theoretical as all this may sound, it has so vital a bearing upon the future of the low-priced rails that some elaboration of the idea is necessary. Some two years ago, John E. Oldham, once vice-president of the Investment Bankers Association, published a treatise entitled "A Comprehensive Plan for Railroad Consolidations," which included a study of the position of railway credit before Federal control. It was here pointed out that the distinction between the strong and the weak systems lay chiefly in their relative interest charges. In character of traffic, rates, and operating costs the two groups of carriers showed very similar results. By taking the so-called Test Period as a basis (July 1, 1914, to June 30, 1917), it appeared that while in the case of the strong roads only 11.5% of gross receipts were required for interest and other charges, the corresponding figure for the weak roads was almost double, or 22.2%. This latter amount represented nearly four-fifths of the net earnings of these systems, so that the small margin remaining was not sufficient to permit dividends on the stocks, or even to assure the safety of the bonds.

Hence the poor credit of second-grade roads was found to arise primarily from over-capitalization, in particular, from too large a proportion of bonded debt to gross revenues. But the enormous expansion of both receipts and expenses in recent years has greatly reduced the relative importance of the fixed charges. For, in 1920 interest requirements consumed only 7.7% of revenues, as against 11.7% four years previously. Given a normal operating ratio, any road would now have no difficulty in meeting its interest charges, and almost all would be earning substantial amounts on their stocks.

Operating Costs Now the Ruling Factor

The primary requisite of a prosperous railroad is therefore no longer conservative capitalization, but rather operating economy. The extraordinary variations in the operating ratio since 1917 stand out most prominently when contrasted with its stability in previous years. (By operating ratio is meant the percentage of gross revenues consumed by all working expenses other than taxes). From 1908 to 1917 this ratio was never more than 73% or less than 65½%; in five years the figure stood between 70% and 71%. But in 1918 it jumped to 81.4%, in 1919 to 85.1%, and in 1920 it reached the incredible figure of 94.5%. In that year, after making further deductions for taxes and equipment rentals, only 1% of the total receipts remained for interest and other charges—to say nothing of dividends. In 1921, however, another wide swing was registered in the opposite direction, the operating ratio having been reduced probably to about 84%.

The effect of such fluctuations upon the exhibit of any individual road is nothing short of magical. Take Rock Island as an example. A reduction of 10% in its operating ratio would mean an annual saving of about $14,000,000 (based on 1920 gross), equivalent to over $18 per share of common stock. Hence with revenues on their present scale, even a moderate change in the rate of expenses will profoundly affect the position of railroad stocks.

Given this kaleidoscopic background of the railroad situation, how shall we go about judging the position of the various low-priced shares? The difficulty lies evidently in finding some definite basis for an estimate of future earning power. The results of the pre-control days are certainly too remote to be of much help under the present greatly changed conditions. On the other hand, the exhibit of the last four years have been so dominated by the distorting effects of Government operation as to make it a very questionable guide to future performance. The 1921 figures, of course, deserve careful attention; but in the present state of flux they can hardly be accepted as conclusive.

The facts at hand being thus insufficient for our needs, we are driven to supplement them with an admixture of theory. The future earning power of the carriers must be estimated—"guessed at" is probably the more accurate term—in accordance with some arbitrary principles. The two uncertain elements involved are the gross receipts and the operating costs—the former depending on both volume and rates, the latter on wages and material prices.

In preparing the appended tabulation of expected normal earning power, the total revenues have been taken at 80% of the 1920 figures, while the net earnings, after taxes, are assumed to equal 20% of the

TABLE I.

SIX SELECTED LOW-PRICED RAILROAD ISSUES

ESTIMATED FUTURE EARNING POWER

Road	Estimated Gross Revenues	Balance After Taxes (20% of Gross)	Equipment Rentals, etc. (Net) (Est.)	Interest and Other Deductions (Net) (1920 figures)	Preferred Dividends	Balance for Common	Per Share	Present Price	% Earned on Present Price
St. Louis Southwestern...	$24,800,000	$4,960,000	....	$2,140,000	$1,000,000	$1,820,000	$11.03	21	52.4%
Pere Marquette	32,300,000	6,460,000	$1,500,000	2,097,000	1,072,000	1,791,000	3.98	20	19.4%
Rock Island	113,000,000	22,600,000	3,500,000	10,502,000	3,640,000	4,948,000	6.65	31	21.4%
Chic. & East. Ill..........	24,720,000	4,944,000	6,300,000	2,327,000	1,328,000	1,394,000	6.60	14½	45.5%
					Balance for Preferred				
M. K. & T.	58,400,000	11,680,000	1,400,000	7,793,000	$2,493,000	....	*10.17	*25½	*40.0%
Toledo, St. Louis & West'n	9,400,000	1,880,000	500,000	463,000	917,000	....	†9.17	Pfd.24 Com.14	†24.2%

*Per share of Preferred. †Per unit of one share Preferred and one share Common.

gross. Neither of these percentages can be justified on mathematical grounds, but they represent the writer's best judgment on a very uncertain subject. The estimate of revenues is equivalent to a decline of about 12% from the 1921 totals, and at the same time operating costs are expected to be reduced far more radically.

After a careful study of the entire low-priced railroad lists, six issues have been selected as appearing to have the best speculative possibilities. The position of these companies is analyzed in Table I on the basis of theoretical future earning power, and in Table II on the basis of the actual operating results of the year ended November 30, 1921. In both cases the net fixed charges are taken from the 1920 reports, and hence are likely to be somewhat understated. The six issues chosen will now be discussed in the order of preference.

1. St. Louis Southwestern.—This common stock makes by far the best statistical exhibit in the entire railroad list. Its actual earnings for the past year were no less than $9.50 per share, or about 45% of the present price. The estimated future earnings are even larger, and, if realized, would exceed 50% of the current quotation of 21.

This road also made an excellent showing in 1920, having earned $8.75 per share without reference to the Federal Guaranty. The latter result is the more noteworthy when it is considered that the company had expended over 40% of its revenues for maintenance. In the first ten months of 1921 this percentage was reduced to 35%, the saving in upkeep going to offset a loss of 20% in gross receipts. While the current maintenance figures are therefore a little low, it can hardly be asserted that the property is being skimped.

Those who remember the "Cotton Belt" as a struggling little system, its general reputation perhaps not of the best, may wonder at the reason for its sudden rise to prosperity. The primary factor has been an extraordinary growth in revenue, which expanded from $10,627,000 in 1915 to $31,020,000 in 1920—practically threefold. (In the same period the receipts of all the lines were a little more than doubled.) By far the greater part of this increase is due to heavier traffic, the higher rates having played a minor role.

The chief question in regard to St. Louis Southwestern is therefore whether it can retain the greater part of its increased business. Added point is given to this query by the fact that the decline in its gross last year has already been more substantial than the average. Yet, even allowing for a greater shrinkage in future traffic than is provided for in our tabular estimate, the Cotton Belt should still possess sufficient earning power to justify a higher price than 21 for its common stock.

2. Missouri, Kansas & Texas New Preferred.—The prospects of the reorganized Katy were discussed in detail by the writer in a recent issue of The Magazine of Wall Street. While its very low price makes the new common decidedly attractive as a pure speculation, the 7% preferred has, of course, far more intrinsic merit. Its theoretical earning power is given in Table I as $10 per share, while the actual earnings last year were equivalent to about $7.90 per share. The recent exhibit would have been still better, were it not for the abnormal maintenance expenditures that always accompany a receivership.

Under ordinary circumstances a railroad common stock selling at 8 would seem to have better speculative possibilities than a preferred issue at 25⅛. But M. K. & T. new preferred has three special points in its favor. The first is its 7% rate—as against 4% to 6% for most other railroad preferred stocks. This no doubt gives the preferred shares a claim on all the earnings that will be distributable for many years. Secondly, this issue will ultimately be cumulative, a feature which will greatly strengthen its position. And finally, there will be only one-third as many preferred as common shares, so that the entire senior issue is now selling in the market for no more than the entire junior issue. Because of these considerations, the writer believes that Katy preferred, in addition to representing a more conservative commitment, is likely to double in price almost as soon as the common.

3. Toledo, St. Louis & Western (Clover Leaf).—As this article is written, the final details are being wound up of a protracted litigation, which has kept the property under the cloud of receivership for many years. The matter under dispute was the validity of $11,527,000 collateral trust 4% bonds, issued to acquire Chicago & Alton stock. Under the settlement recently arranged, all of these bonds are to be cancelled, in return for a cash payment of $1,130,000 and various amounts of Alton and Clover Leaf stocks. To provide these securities the stockholders of the Toledo, St. Louis & Western will be required to contribute 10% of their holdings, against which they will receive scrip.

The elimination of these collateral trust bonds will cut the Clover Leaf's interest charges almost in two. Taken in conjunction with the recent excellent showing of the road, this development will result in a very substantial earning power for the stock. At present prices both the preferred and common issues offer separate advantages, and in buying into this situation it would probably be wise to acquire equal amounts of the two classes. A combination of one share each of common and preferred (4% non-cumulative) will cost only $38, and will give the investor a fixed interest in future earnings estimated at over $9, regardless of how they are ultimately divided between the two issues. The actual earnings the first year appear to have been nearly $11 on such a combination.

Special allowance must be made for the 10% reduction in holdings provided by the pending settlement, and also for a probable slight increase in fixed charges because of the cash payment to be made by the road. Nevertheless, the exhibit—both actual and potential—is extremely favorable, and would seem to justify substantially higher prices for both issues after the receivership is finally lifted.

4. Pere Marquette.—This road was reorganized in 1917 with a greatly reduced bonded debt, and its record of earnings since then has been much better than the average. In 1919 it actually returned more than $9 per share on the common. It will be seen that the income available for dividends last year (Table II) was somewhat larger than our estimate of future earnings (Table I). The strong current exhibit is in some measure due to a reduction of maintenance charges to but 33.2% of gross—a figure which looks insufficient. The small sums expended on upkeep in 1921 may be explained as a reaction from the overliberal policy of the year before.

TABLE II.

EARNINGS FOR THE YEAR ENDED NOV. 30, 1921†

Road	Gross Revenues	Net after Rents	Maintenance Ratio	Balance for Common Stock	Per Share	% of Market Price
St. Louis Southwestern....	$25,604,000	$4,660,000	35.0%	$1,520,000	$9.50	45.2%
Pere Marquette	38,619,000	5,225,000	33.2%	2,056,000	4.50	22.8%
Rock Island	141,048,000	15,810,000	35.5%	1,668,000	2.25	7.2%
Chic. & East Ill.	28,171,000	2,447,000	42.8%	Deficit	....	.....
M. K. T..................	65,025,000	9,629,000	37.0%	*1,936,000	*7.90	*31.0%
Toledo, S. L. & Western.	9,720,000	1,558,000	36.7%	*1,095,000	‡10.95	‡28.8%

†See Text for Source of Figures. *Preferred Stocks. ‡Per Unit of one share Preferred and one share Common.

There are two classes of 5% cumulative preferred stock ahead of the common. On the prior issue dividends have been paid regularly from the start. A dividend of 10% has just been paid on the second preferred, leaving 5% additional still accumulated up to January 1, 1922. If the road is able to continue its present showing, it should have no difficulty bringing its preferred payments up to date in a short time, after which the common may be in line for a small disbursement.

5. Rock Island.—The chairman of the Board recently announced that Rock Island closed 1921 with about $3 per share earned on the common. The figures for the twelve months ended November 30 show only $2.25 earned on the junior shares. These are based on the I. C. C. reports for gross and net, using the 1920 items of interest and other charges and credits. It should be pointed out in connection with all these figures that the totals of the monthly statements are often subject to rather substantial adjustments in the complete annual reports.

While Table II shows only 7% actually earned on the present market price, Chairman Hayden's estimate is equivalent to nearly 10%. Furthermore, our estimate of future earnings is over $6.50 per share. Rock Island serves a rapidly growing territory, as is shown by the fact that its gross receipts were maintained in 1921 at very close to the 1920 record figure. The preferred dividends have been paid regularly from the outset, but the company suffers from the lack of an adequate medi-

(*Continued on page 429*)

Answers to Inquiries

On Railroad Securities

MINNEAPOLIS & ST. LOUIS

Too Speculative

A few words from you as to the possibilities of an advance in the stock of Minneapolis & St. Louis would be appreciated. Would you advise its sale and the purchase of anything else in its place?—P. A. L., San Francisco, Cal.

As Minneapolis & St. Louis has been showing deficits, apparently the company has been quite unable on its present capitalization to show any earnings whatever available for its common and preferred stocks. Apparently the reorganization of this company was not sufficiently drastic and it may be a long while before the company gets on its feet. Of course, the depression in industry has seriously affected the earnings of this road and with business improving the company has every reasonable chance of doing better. However, the stock is extremely speculative and with deficits reported during the past three years, we can hardly express any enthusiasm even though the stock is selling low. It is hardly the kind of speculation or investment that we would recommend and if you hold the stock we believe that a switch into American Ship & Commerce selling around the same price, which stock, however, is also speculative, would ultimately benefit you. This latter company should come back rapidly with the shipping industry improved and on a basis of values we believe that it is a better bargain at these low prices.

LAKE ERIE & WESTERN

Fair Speculative Possibilities

As the holder of 100 shares of Lake Erie & Western common and preferred I am interested to know your opinion of these securities?—P. I., Sioux Falls, S. Dak.

Lake Erie & Western for the year ended December 31, 1920, earned $3.29 per share on the preferred stock and in 1919 $4.28. The balance sheet shows it to be in reasonably good financial condition. For the eight months ended August 31, 1921, net operating income was $818,000. These stocks are highly speculative but should general conditions favor the railroad, and we are inclined to the opinion that they will, we should say that these stocks have fair possibilities of advancing from present levels.

ST. PAUL CONV. 4½s

Not Advisable to Switch

I have a $1,000 Chicago, Milwaukee & St. Paul conv. 4½%, due 1932. Would you advise switching into some other security, or what would you suggest?

We would not accept any large loss in St. Paul convertible 4½s, as these bonds have declined radically and in spite of the poor showing of this road, we believe the liquidation in these bonds has gone far enough to discount rumors and any possible adverse action. Even in the event of a reorganization, which, however, we cannot predict at this writing, we believe that holders of these bonds would fare well. We believe that you would make up your loss by holding your bonds just about as well as switching into some other issue selling at a low price.

THREE MIDDLE-GRADE BONDS

A Business Man's Investment

In my list of bonds I have the following issues which am rather doubtful about keeping: St. Louis & Southwestern Terminal 5s, 1952; Rock Island, Arkansas & Louisiana 1st 4½s and St. Louis & San Francisco prior lien 5s. Do you think there is too much risk involved in holding these?—J. E. G., Boston, Mass.

Both St. Louis and Southwestern Terminal 5s and St. Louis & San Francisco prior lien 5s are very high up in the middle grade group while Rock Island, Arkansas & Louisiana 1st 4½s are also very well thought of although not a high grade bond. All three are investments for the average business man and we believe the advance in them will probably proceed somewhat further. In our judgment you could safely hold these bonds for still higher prices.

CENTRAL PACIFIC EUROPEAN LOAN 4s

R. R. Bonds in Francs

I have recently made an investment in $70,000 Central Pacific European 4s, 1946, and $80,000 Chicago, Milwaukee & St. Paul European 4s, 1925. Any comment you may wish to make on this investment will be received with interest.—A. G. C., Chicago, Ill.

Central Pacific European Loan 4s due March 1, 1946, were originally all payable in francs, but about half of the $48,262,523 issue was reacquired and reissued in United States gold. We presume, however, that you have the bonds that are payable in francs. This is a gilt-edge security as far as payment of interest and principal is concerned. Of course, if you hold the franc bond, what you will ultimately receive will depend on French exchange. Recent developments in the foreign situation, however, have been favorable towards exchange and it is good opinion that the French exchange is not likely to go very much lower.

Chicago, Milwaukee & St. Paul 4s due 1925 (European Loan) are a more speculative bond. St. Paul has been reporting rather poor earnings this year, but recently there has been signs of improvement and in our opinion St. Paul will come through all right. Regard these bonds as having good speculative possibilities at present levels.

ANN ARBOR ISSUES

Long-Pull Possibilities

I hold 29 shares of common and 40 shares of preferred stock of the Ann Arbor Railroad. What are the prospects of it going higher? What is the actual value behind it?—R. F. B., Sunbury, Pa.

Ann Arbor for the year 1920 reported a surplus of $306,250 after fixed charges. Earnings this year have not been very good, however, net operating income for the eight months ended August 31 being only $167,000. The value behind the common and preferred stock really depends on what earning power the road will be able to show from now on. In July, 1921, the Interstate Commerce Commission announced the tentative valuation of this road at $11,127,277, this valuation being as of June 20, 1915. Capitalization consists of $7,566,400 funded debt and $4,000,000 5% preferred, $3,250,000 common. This valuation would give a good value to the preferred stock, but as no one is planning to take over this road, the earning power is what is going to count. A careful examination of all the figures available in regard to this road brings us to the conclusion that common and preferred stock have fairly attractive long-pull possibilities, a good deal depending on how the general railroad situation works out.

NORFOLK SOUTHERN 5s

A Speculative Issue

I hold some Norfolk Southern 1st and refunding 5s, for which I paid 96½ and some Chicago Railway Series "A" bonds which cost me the same price. These bonds have kept going down ever since I bought them, although recently they have acted somewhat better. Would appreciate your advising me what would be best to do, whether to hold or switch into some other security? Am particularly interested in the Norfolk Southern bonds.—H. P. A., Charleston, W. Va.

There is apparently considerable mystery as to the situation of Norfolk Southern and although it was announced last year that interests identified with American Tobacco Co. were taking over the road, it was announced this year that these interests have not exercised their option on Norfolk-Southern stock, which expired May 27th. Last year the company showed operating receipts of a little over $6,500,000 but expenses and taxes consumed all this and a deficit of a little over $500,000 was shown. The road, however, received Government compensation which enabled it to pay its interest charges. The Government guaranteed this road during the Federal period of control and were it not for the rentals and payments made by the Government it is difficult to say where the road would have been by now. It may be, however, that the present low price of these bonds discounts the unfavorable features and you will have observed that these bonds rallied from a low of 39 to around 51¾. We would, however, watch their market action carefully, but would suggest holding for a while as apparently the worst has been seen.

There are very few bonds about 50 that we would care to advise switching into. Chicago Railways are secured by a first mortgage on property valued at $92,000,000, against which there is around $60,000,000 first mortgage 5s secured by a first mortgage. Interest has usually been earned by a fairly good margin. We would suggest holding this bond.

Readers' Round Table

Municipal Financing

Editor, THE MAGAZINE OF WALL STREET.

Sir:—I was very much interested in your article on the Trend of Municipal Financing in the January 7 issue of THE MAGAZINE OF WALL STREET. In this article the following statement is made: "Until the rate of tax-exempt bond offerings is checked by compulsory action . . . it is altogether probable that the momentum of such offerings will be greatly increased." By the word "rate," I presume the writer meant "volume."

I have been particularly interested in the municipal bond situation for a long period, and while to some it may not seem altogether advisable, the bulk of my worldly possessions consists of municipal bonds of many different types. Therefore anything pertaining to municipal bonds is likely to be of very great interest to me. In this connection I should like to see your MAGAZINE contain in each issue at least a few pertinent remarks on the subject.

My main point in writing this letter, however, is to inquire as to the effect that the huge volume of municipal and state issues, now in evidence, is likely to have on the general investment situation. The writer of the article mentioned above properly says: ". . . municipals come directly in competition with other types of securities which are not tax-exempt." He does not say how. I should like to know just where the competition lies. I shall be very much obliged for an explanation of this matter.

S. H. G.

This question is a very simple one to answer. On the present basis most industrial high-grade bonds are selling to yield an average of about 6%; railroad bonds of equal standing are yielding about 5½%. At the same time, municipal issues of high grade are being offered at a rate of no better than 4½-4¾%. Ostensibly, industrial and railroad bonds should be competing with municipal bonds, to the advantage of the former owing to the better rate of income obtainable from such issues. Yet the fact is that the reverse is true: it is the municipal bond which is competing with the industrial and railroad issues, and not the contrary. The reason for this is to be found wholly in the tax-exempt feature of municipal issues.

Municipal issues are not taxable, but industrial and railroad bonds and similar issues are taxable, either at the source up to a certain figure or through the investor's holdings. To a small investor the savings effected by purchasing non-taxable issues would be small. The larger investor, however, particularly the man or woman with an income from bonds running into the thousands annually, has more at stake. The taxes that he has to pay on the income from his securities other than municipals amount to a very large figure. That amount he can save by investing his funds in tax-exempt issues. Thus the net return in the case of taxable issues might average only 3 or 3½% where a very large investor is concerned, but if he invested his funds in municipals he would be getting a full 4½ or 4¾% return. Obviously the tax-exempt bond holds out great attractions for this class of investor. It is for this reason that municipal bonds may properly be said to come into competition with taxable issues.—EDITOR.

Unfair Financial Practices

Editor, THE MAGAZINE OF WALL STREET.

Sir:—I have noted from time to time in your columns an air of desiring to protect the interests of investors, or at least suggesting to them methods of protecting their own interests, but I fail to see that you perform what is your inherent function of taking an editorial policy on some very important subjects. One subject, in particular, which I have in mind is the over-capitalization of new companies from which many investors have suffered. It seems to me that there should be a law forbidding any new incorporation from capitalizing any but its tangible assets. This would lead to a situation where in return for his investment the buyer of stocks would at least be assured that he was not buying water, but a definite value. Would deeply appreciate your viewpoint on this matter.—G. F. C.

The writer of the above letter is undoubtedly referring to the flotations of fraudulent or nearly worthless securities in the 1919-1920 period. The writer of this letter is evidently uninformed as to the policies of this MAGAZINE, or he would see that practically every issue over a period of years has attacked such iniquities of the financial system as exist. We have been and always shall be unalterably opposed to the flotation of worthless securities and shall continue to caution investors on this point. We are decidedly in favor of preventative legislation, believing that it is better to lock the barn before the horse gets out.

But further than this, we are decidedly opposed to the flotation of new issues, even by old concerns, particularly at a time of consolidation (see Mr. Wyckoff's article on Mergers in this issue), when the amount of those issues is greatly in excess of the value of the company's assets. At a time like this the interests of the old stockholders should be protected. The exchange of their old stock for the stock of their new company should be on a basis not to impair the value of the original holdings.

Too many companies in the past have resorted to excessive flotation of stock issues, popularly known as stock-watering, and investors have suffered. The merging of business interests may be a very fine thing for the public at large when such mergers are effected on a legitimate basis, but when the innate impulse of the promoters is to manipulate these stocks to a high market value, then unload them on unsuspecting investors, finally allowing the latter to "hold the bag," we regard this as an unconscionable and essentially dishonest undertaking.

No fault need be found with this MAGAZINE on this point. Our columns are wide open to protesting investors, and with all the power at our command we shall endeavor to build up public opinion against unfair financial practices until they are done away with.—EDITOR.

The columns of the Magazine of Wall Street are always open to its readers. We desire to encourage them to express their views, whether in agreement with the policies of the Magazine or not. This interchange of views, we believe, is of great value to the publication and to the readers themselves.

Business Conditions in Northern Europe

CHRISTIANIA, Norway.

Editor, THE MAGAZINE OF WALL STREET.

Sir:—The writer has since July 10 traveled over different portions of Denmark, Norway, Sweden and Finland, also partially in Russia, has carefully studied business conditions from first-hand, talked with all classes of men, from bankers to small grocers, and all tell the same tale: there is hardly any business in sight and no one knows when conditions will improve. It is almost a case of general stagnation, with thousands of people out of work and factories decreasing production to a minimum in order to keep down expenses so as to prevent total large losses.

In Sweden it is found impossible to do any business with the surrounding countries, with the exception of Russia, due to money exchange. The Swedish kroner is now worth in American money 23c., the Norwegian about 13c., the Danish about 15 or 16c., the Finnish mark about 1⅗c., while the Russian money cannot be talked about at all—about 30,000 roubles is worth 2c. However, they have mighty good printing presses at Petrograd and Moscow which turn out fine-looking certificates, and I am mighty sorry I didn't take one with me as a souvenir of my trip. For example, the Swedes can buy a lot of goods in America fairly reasonable and import them, while these other countries must pay a tremendous price in their money. Naturally, America cannot secure in the long run very much business; it will turn to Germany, or even

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Industrials

American Hide & Leather Company

A Company on the Up Grade

American Hide & Leather's Earnings Improving—Inventory Worth More Than Price to Which Written Down

SINCE last spring, American Hide & Leather has shown steady improvement, and while the industry as a whole is not yet on its feet, the company can be considered a little ahead of the industry. Certainly, American Hide & Leather seems to have weathered the recent storm in better shape than some of its competitors.

The most striking feature about the company at present is that it is actually earning money. This is a vivid accomplishment these days when many companies engaged in the same business are barely beginning to get on their feet.

The first signs of a turn in American Hide & Leather's affairs came last spring, when results for the second quarter of the year showed a surplus of $251,645 for the preferred stock. This was an excellent showing considering that, in the first quarter, the company had shown a deficit of $1,210,382.

In the third quarter the improvement was continued and a surplus of $200,880 was shown. It is estimated that net earnings for the fourth quarter will be about $200,000, so that total earnings for the last nine months of the year will amount to about $650,000. No surplus, of course, will be shown for the year on account of the $1,200,000 deficit in the first quarter. However, the company is at least fortunate in that it was able to cut down its total deficit for the year by about one-half.

Inventory Adjustment

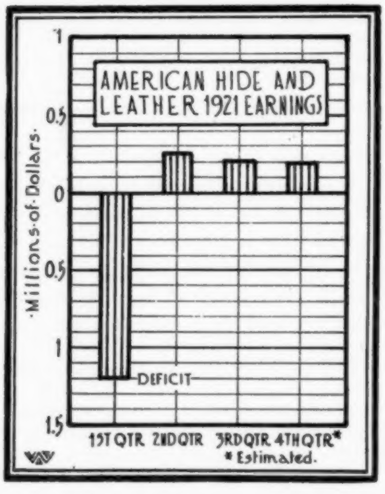
The management was very courageous and ultimately efficient in completing its inventory adjustment. Drastic measures were taken to write-off inventories. A loss of $5,500,000 was taken in the last six months of 1920, and, as described above, another loss of $1,200,000 in the first quarter of 1921. Inventories have long since been written down to bed-rock, and it is extremely unlikely that further losses will have to be taken. This is clearly indicated by results for the last nine months of 1921, which showed the company to be actually operating at a fair profit.

In fact, American Hide & Leather, if it chose, could effect an *upward* revision in inventories, as the price of hides has risen considerably since last spring. During the drop in prices in the latter part of 1920, the company was fortunate in that it bought no materials. It was as a result in a position to enter the market when prices hit the bottom. Since that time the price level for the company's products has, on the average, advanced 20%, which means a corresponding advance in the value of its inventories.

The Rate of Earnings

In the second quarter of 1921, net earnings on the 130,000 shares of preferred stock amounted to $2.01 a share. In the third quarter, earnings amounted to $1.60 a share. In the fourth quarter they will probably amount to about the same. This would be at the rate of about $5.20 a share for the last nine months of 1921, or at an annual rate of about $7 a share.

The outlook for future earnings, of course, depends upon the hide and leather markets and on general business conditions. While the situation in leather is still a little spotty and not as firm as might be desired, the company has profited from the improvement in the upper leather situation. The upper leather situation has been greatly improved through the exhaustion of supplies and the company is now in a position to profit from a steady market. Demand has shown an increase and prices have risen proportionately.



AMERICAN HIDE & LEATHER Net Current Assets	
June 30, 1919	$15,111,918
September 30, 1919	13,243,239
December 31, 1919	13,712,745
March 31, 1920	13,581,266
June 30, 1920	12,532,251
September 30, 1920	10,944,417
December 31, 1920	5,530,610
March 31, 1921	4,411,775
June 30 1921	4,732,519
September 30, 1921	5,061,221

The shoe situation is a little weak, many manufacturers operating at part time. However, the tendency, although not too sharply defined, appears upward in this connection and the outlook is that the company will receive more business from this source as time goes on. In any event, the company seems spared from the necessity of further downward revision of its inventories and should show a fair profit in each succeeding quarter. There are even possibilities that good earnings will be shown should the leather industry receive new impetus from foreign demand. The latter has been rather dormant, but the outlook is improving.

Current Assets

While current assets show a decline of about $500,000 since the beginning of 1921, they have nevertheless slowly but steadily increased since the end of the first quarter of 1921. At the end of that quarter they stood at about $4,411,000, rising to $4,700,000 at the end of the second quarter, and to $5,000,000 at the end of the third quarter. They have presumably increased since that time.

The financial position of the company is considerably stronger than a year ago. Bank loans have been cut in half. Cash position is strong enough to further reduce bank obligations and there is apparently no need of future financing.

The Preferred Stock

There are 119 ¾% accumulated dividends on the $13,000,000 7% preferred stock. Under existing conditions there is practically no possibility of liquidating this obligation. While it is hardly likely that the regular rate of dividends can be resumed until further progress has been made and the business situation clears up further, this should not take more than a few months. Probably within the year, resumption of dividends will come up for discussion.

The present action of the stock, which has advanced from a low for 1921 of 42 to the present price of around 60, would seem to indicate that dividend possibilities are growing stronger. The stock, even at these levels, may be considered a good speculative investment.

The common stock, however, hardly appears suitable for investment and has few attractions. This issue is selling around 14, but there are other issues at the same price with more immediate possibilities.

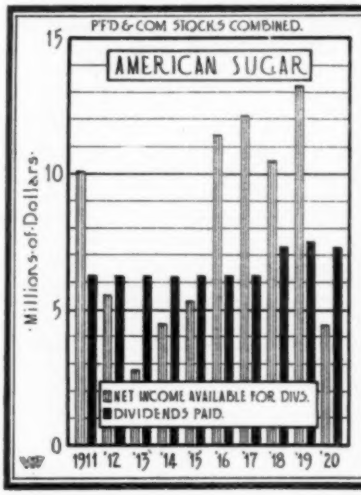
It is, of course, true that should the preferred stock rise to higher levels this would be met by sympathetic response on the part of the common stock. Therefore speculative possibilities may be said to exist in this issue. It is on the intrinsic side, however, that this issue cannot be said to be attractive.

American Sugar Refining Company

Outlook Now Appears Much Brighter

Inventory Situation Nearly Cleared Up—Company in Strong Financial Position

WHEN securities with the investment standing that American Sugar Refining Co. common and preferred stocks have held for years decline violently, it naturally tends to destroy the confidence of investors in stocks of any



character and leads to a good deal of loose talk about mismanagement, inefficiency and insiders profiting at the expense of the company. While the losses suffered by American Sugar have been very great indeed, the management has at least a good excuse for a large part of the losses. Fluctuations in sugar during 1920 were probably more violent than in any other commodity. Prices ranged from 4⅝ cents to 24½ cents for duty-paid raw sugar, and from 7½ cents to 27½ cents, refiners' list price, for refined sugar. There has never been a change in any one year even half as great as the 19.87 cents range in 1920.

When refining companies are operating on a rising sugar market their profits are always greater, and when operating on a falling market profits are nearly always less than in a steady market. Even a very efficient and far-sighted management would have had to take good-sized losses in the sugar refining business in the past eighteen months. On the other hand, the losses registered by American Sugar were far greater than they would have had to take if they had held strictly to the refining business. As of December 31, 1920, the company's inventories had mounted to the huge sum of $45,405,155, which was about three times as high an inventory as the company had ever carried before. There was no necessity of the company carrying any such inventory to take care of its legitimate business, and the management undoubtedly deserves a lot of criticism for departing from conservative practices.

Inventories Reduced

There is good reason for believing that the company has taken the greater part of its losses and that from now on any losses to be taken will be comparatively small. Inventories as of October 29, 1921, were only $12,206,238, a reduction of over $33,000,000 from December 30, 1920; so that if there are any further losses in inventories they should be unimportant. Amounts due on undelivered 1920 contracts now total something over $12,000,000. The company has had to take these contracts to court and has to date been uniformly successful in its suits. In some cases appeal has been made to a higher court by the defendants, but the company's attorneys are confident that that they will win out in every case. While it may take some time to get this money all in, and some loss may be taken in the case of concerns that are unable to pay, it is not thought that the final loss will be a very heavy one.

Just how hard the company was hit in the past two years is indicated by the reduction in its profit and loss surplus. On October 29, 1921, this item stood at $8,439,177, as compared with $23,152,138 as of December 31, 1919, representing a reduction of nearly $15,000,000.

For the ten months ended October 29, 1921, the company reported a net income available for dividends and depreciation of $173,298, but this was after application of reserves set up in 1920 of $10,000,000. Adding to this the dividends paid on the common and the preferred stocks the company will show a loss in 1921 of about $15,000,000.

Recently the company sold $30,000,000 6% bonds, due 1937. As the accompanying balance sheet shows, this issue will come pretty close to cleaning up the entire floating debt of the company, and put it in a decidedly strong financial condition.

Outlook for 1922

With plenty of cash available to conduct its business, American Sugar should be able to do fairly well this year in view of the fact that it is rid of nearly all of its high-priced sugar. The margin of profit in refining is considerably higher now than it was in the pre-war period, as indicated by the following figures:

	Now	1914	1913
Refined granulated	5.19	4.68	4.27
Raws	3.73	3.81	3.50
Refining margin	1.46	0.87	0.77

Actual refining margin is smaller than the theoretical margin, as the holding of raw sugar undoubtedly averages a somewhat higher price than 3.73. From its refining business, however, the company should be able to show very fair profits in 1922. Outside of its refining operations American Sugar in the past has had two important sources of income, investments and interest on loans and deposits. Income from these sources will be very much cut down this year, as the company's investments are principally in sugar-producing companies that under present conditions in the raw sugar market are not likely to pay any considerable amount in dividends. In 1920 the company received $2,031,254 from its holdings in Great Western and Michigan Sugar securities (beet sugar producers), and as both these companies have passed dividends, this income will be cut off this year.

American Sugar's holdings in Cuba are very extensive. Through subsidiary companies it controls two of the largest and most modern sugar estates on the island, with a producing capacity of 1,200,000 bags of raw sugar per annum. It is estimated that the company's investment in these properties represents nearly $25,000,000. While no return can be expected from this investment under present conditions, in the future good profits may come from this source.

Bonds Well Secured

The 6% gold bonds, due 1937, constitute the sole funded indebtedness of the company, and it is agreed in the trust indenture that the company will not mortgage or pledge any of its fixed assets without at least equally securing this issue. Net assets of the company aggregate approximately five times the amount of this issue. In view of the big asset value behind these bonds, they are entitled to a high rating. At present price of 98½ the yield is 6.15%.

AMERICAN SUGAR REFINING CO.

BALANCE SHEET

Balance sheet as of Oct. 29, 1921

Assets	
Cash	$5,724,582
Customers acceptances	3,063,300
Accounts receivable	8,091,442
Merchandise and supplies	12,206,238
Prepaid accounts	1,806,821
Accrued income	125,315
Investments, general	35,156,624
Loans	14,642,654
Claims on 1920 contracts	1,942,092
Undelivered 1920 contracts	15,993,253
Real estate and plants	59,062,800
Total	$157,395,416
Liabilities	
Bills payable	$20,000,000
Raw sugar drafts	10,377,125
Accounts payable	5,105,117
Dividends payable	986,283
Preferred stock	45,000,000
Common stock	45,000,000
Sundry reserves	23,187,712
Surplus	8,439,177
Total	$157,395,416

Regular dividends have been paid on the preferred stock for the past thirty years. In view of the fact that the company is now in easy financial condition and that no further large losses are expected, there appears to be an excellent chance that the preferred dividend will be maintained, although the stock must be classed as speculative. While the common stock appears to have fairly good possibilities for the long pull, it is not likely that there will be any early resumption of dividends.

This stock has advanced from a low of 47⅝ in October to present prices of around 58, and at this price it would appear to be high enough for the time being.

Corn Products Refining Company

One of the Industrial High Spots of 1921

Company Saved Money by Watching Its Inventory Account—Large Part of War-Time Demand Retained—Strong Financial Position

IT has been stated, and with some justice, that the war made Corn Products Refining Co. As is well known now, many companies that piled up large profits during the war period were unable to keep them, as the readjustment period through which we have just passed swept a large portion of these profits away. Corn Products has stood out as a rather brilliant exception. Not only did the company fail to show any deficits but it has succeeded in earning the $6 dividends on its common stock, with a good margin to spare, throughout this trying period.

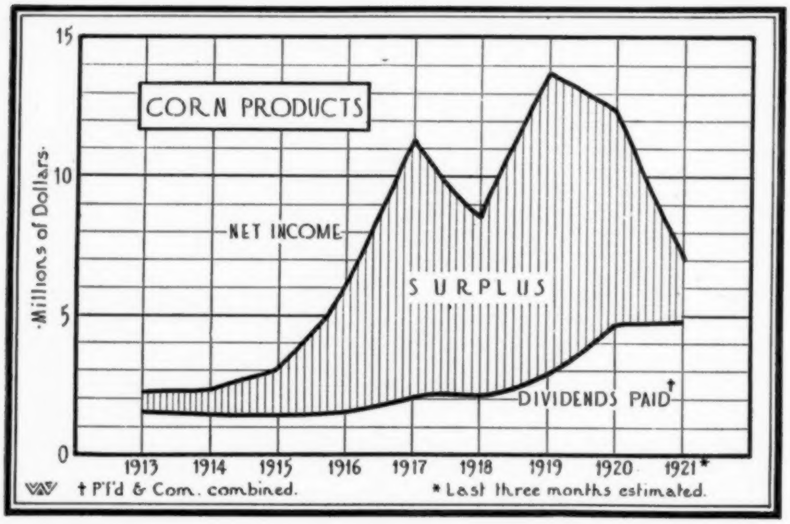
There are several reasons for this good showing. In the first place, under the war-time pressure, the company's products were introduced to hundreds of thousands of people who had never before used them. Corn starch had to take the place of potato starch; glucose and corn syrup replaced sugar, and corn oil was used instead of olive oil or butter. When the war pressure ceased, the use of these substitutes were no longer necessary, *but the public had become used to them, liked them, and as a result the company was able to retain a surprisingly large percentage of the new business that had been built up.*

In the second place, the management showed itself to be remarkably far-sighted; for, when most industrial companies were loaded up with large inventories, on which losses had to be taken, Corn Products kept this item down to moderate proportions. As of December 31, 1920, inventories stood at $6,200,000, as compared with $9,900,000 December 31, 1919, and $11,226,012 December 31, 1918. This is a very unusual showing, as most companies dealing in commodities found themselves at the end of 1920 with the largest inventories in their history.

Small Inventory Losses

As a result Corn Products had only small losses to write-off on this account. For the first quarter of 1921, $1.70 a share was earned on the common; in the second quarter, $1.88 a share; in the third quarter, $3.96 a share; making a total of $7.54 for the nine months. It will be noted that each quarter was better than the preceding one, denoting a steady improvement in business. While there are no accurate estimates as to what the company will show for the last quarter, operations are understood to have been running along satisfactorily, and for the full year 1921 at least $10 a share should be shown for the stock and perhaps as much as $11 a share.

When the Corn Products Co. was first formed in 1906, there is no doubt but that the concern was heavily over-capitalized and that the common stock represented nothing more tangible in the way of assets than good-will, trade-marks, etc. An efficient and conservative management, however, has succeeded in building up substantial assets behind the common stock. In the past seven years alone surplus earnings, after deducting dividends, have amounted to about $85 a share, so that at the present time the stock has real value behind it. The accompanying graph shows how earnings have been put back into the property.



In addition to being able to maintain a good domestic business, the company has done very well recently in the export line. The potato crop in Germany has been disappointing, and to encourage starch shipments the import duty has been taken off. As a result German starch consumers have been placing large orders in this country, and Corn Products has had more business than it can take care of from this source. The company is making glucose and other products in its European plants. It has two refineries in France, one at Lille and another near Paris, and an English plant located near Manchester. Several plants are also owned in Germany. Before the war the foreign business amounted to about 25% of the total turnover, but since then it has increased considerably.

A new plant is just about ready to start operations. It was erected at Kansas City, Mo., at a cost of a little over $4,000,000, and will be able to grind 25,000 bushels of corn daily. This will bring the daily capacity of all the corporation's plants up to 170,000 bushels. A new pier at Edgewater, N. J., was recently completed at a cost of $2,500,000. In addition to making it possible to dock the largest ocean-going vessels, provision has been made on the wharf for a large canning factory, along with allied departments, to handle the products of the corporation and increase facilities for marketing the company's goods both here and abroad. The effect of these improvements will be reflected in earnings in the current year.

The last balance sheet the company issued was as of December 31, 1920, and as the company had no large inventory losses to take, financial condition at the present time is probably somewhat better. As of December 31, 1920, working capital was $25,700,000. This compares with a total capitalization of $85,500,000. Because of small inventories on that date the company had $11,904,245 out on demand loans. This is a very strong financial condition and the company really has a larger working capital than is necessary for the conduct of its business.

Capitalization

Bonded debt of Corn Products totals about $6,000,000. The principal issue is $4,781,000 first mortgage 5s, due 1934. These bonds belong in the gilt edge investment class. Present price is around 96. The bonds are followed by a 7% cumulative preferred stock issue of which there is $25,826,933 outstanding. In view of the small bond issue and the large working capital this security can be regarded as one of highest grade industrial preferred stocks. At present price of around 110 the yield is 6.37%.

The common stock has had a rather remarkable advance in recent months and at present prices of around 98 is 39 points above its low of 59 made in June, 1921. This advance would appear to have largely discounted the good showing made in 1921, and the stock should be regarded as a rather uncertain speculation at these levels. Dividends at the present time are being paid at the rate of $6 per annum, $1 regular and 50 cents extra having been declared each quarter since January 15, 1920, when dividends were first inaugurated. The company is undoubtedly in a position to increase dividends.

American Can Company

What Will American Can Show for 1921?

Company's Earnings Record in Previous Years—Investment Qualities of Its Securities

IN the twenty years of its existence, the American Can Co. has never paid a dividend on its common shares. On the other hand, the company has built up a tremendous organization during the period, and greatly increased its earning power, thus:

Whereas, the company operated 38 factories in 1910, it operates close to 60 factories today.

Whereas working capital back in 1905 was $7.500.000, in 1920 it amounted to well over $28,000,000.

TABLE I.—WORKING CAPITAL.
American Can Company

	Current Assets	Current Liabilities	Working Capital
1913 ..	$17,959,990	$2,159,620	$15,800,370
1914 ..	17,660,937	1,916,157	15,744,780
1915 ..	19,922,429	3,122,902	16,799,527
1916 ..	28,556,069	5,929,481	22,626,568
1917 ..	42,338,972	18,184,578	24,154,349
1918 ..	53,101,192	24,590,844	28,510,348
1919 ..	44,055,777	10,218,720	33,837,057
1920 ..	42,781,688	14,681,790	28,099,898

What results expansion has brought in the shape of increased earnings is shown by the following comparison: Earnings in 1904 were $2,395,000. In the eight years 1913-1920, inclusive, average earnings were well over $11,000,000 a year. Net income in the last year on which official figures have been published were $4,830,000.

Of course war conditions gave the company's sales a tremendous impetus during some of these years. The effects of the war culminated in the year 1917. But this fact need not becloud an important growth in the normal demand for American Can's products. The canning industry has expanded rapidly, based on an enlarged home market, and this expansion accounts in large measure for the American Can Co.'s enlarged business.

These facts will account, possibly, for the willingness of a large section of the investing public to listen to rumors, no matter how often repeated, that "American Can will soon inaugurate dividends on its common stock."

TABLE II.—ANALYSIS OF EARNINGS.

	Oper. Income	Net Income	Earned on Pfd.	Earned on Com.
1913	$6,245,679	$3,982,917	9.66%	2.66%
1914	5,807,562	4,376,173	10.61	3.61
1915	6,533,806	5,020,273	12.19	5.19
1916	11,091,048	7,962,952	19.31	12.31
1917	21,995,042	11,892,859	28.84	21.84
1918	17,076,335	6,000,827	14.55	7.55
1919	11,728,758	5,180,225	12.56	5.56
1920	9,851,876	4,830,913	11.71	4.71

Trade Position

"Trade position" is one way of referring to prestige of products, plant capacity and control of raw materials. So far as the first two are concerned, American Can's trade position seems fully satisfactory. The company has only one important rival in the field. Its plants are fully equipped to handle all obtainable business.

The company is, to be sure, under the necessity of buying supplies in a rather volatile market. In this respect, it is not so well situated as Continental Can, its chief competitor. The latter controls a tin plate mill having capacity for the manufacture of a large proportion of its tin plate requirements. American Can buys its tin plate in the open market, principally from the American Sheet & Tin Plate Co., a subsidiary of U. S. Steel.

How wide the fluctuations in the tin plate market can be is shown by the following record: In 1917, tin plate sold at $12 per 100 pounds. In 1915 the price was down to $3.25; in 1920 it had risen to $7. The most recent price quoted was $4.75.

The prices fixed by the American Can Co. on "standard sanitary tins" fluctuate similarly widely. A year ago No. 2½ cans cost $36.50 per 1,000. In 1915 they cost $18. The price just announced is $26.25.

How having to go into the open market for its raw materials affects American Can is best shown by the fact that, in 1918 and 1919, the company borrowed $12,000,000 for the purpose of making purchases. It was believed that the company's good working capital position and supply of cash would make a similar action unnecessary in 1921. Nevertheless, the company sold $12,000,000 serial notes in February, 1921, on an 8% basis "for the purchase of tin plate or other materials."

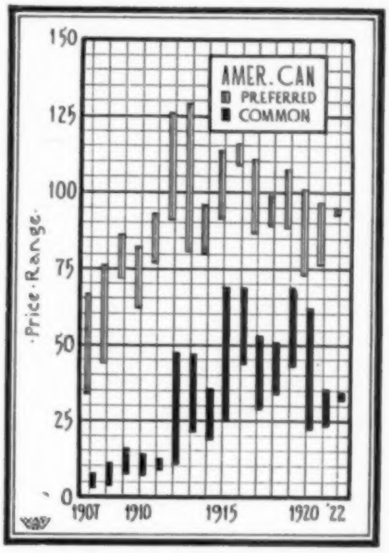
It is not the purpose to exaggerate the importance of this phase. The company seems to be able to secure ample supplies and to derive ample profits therefrom despite it.

Financial Position

The company's financial position at the present time is not to be determined by consulting figures a year old. Especially since those figures (derived from the last official statement) represented conditions prior to the industrial slump of 1921. But there is something to be learned from an independent survey of the 1920 figures, if various developments since that time are kept in mind.

At the close of 1920 the company showed a working capital of something more than $28,000,000. To make up current assets, there was, in round numbers: Cash, $4,000,000; receivables, $11,000,000; and materials and inventory, $27,000,000, or a total of well over $42,000,000.

Since these figures were compiled, the records show a substantial reduction in the price of tin plate. The company's price for standard tins has just been announced. The product proves to be no exception to the reduced prices now prevailing, having been marked down $10.25 per 1,000 to $26.25. Hence, it is logical to assume that the company is not, today, in so good a working capital position as it was a year ago; also that there has been some reduction in the asset value of its stock.



The lower price for its raw material, of course, is a compensating feature. Also, the company appears to have plowed large sums back into property during its prosperous years.

Earnings Also Lower

That American Can's earnings for the year 1921 will be lower than in the previous year also seems a foregone conclusion. A glance at Table II will show what the trend has been over the last eight years—a remarkable jump from $6,246,000 in 1913 to almost $22,000,000 in 1917 being followed by a subsequent decline to $9,852,000 in 1920.

In the year 1921 the company is currently believed to have been working on a 60-80% basis. Probably the lower figure will be the nearer correct. Altogether it seems likely that a comparatively small margin will be earned per share of common, as contrasting with earnings of $4.71 per share in 1920.

Outlook and Conclusions

The outlook for the American Can Co. seems excellent. Can supplies at the present time are small and a large demand for the product is expected during the year.

The company's securities include $10,233,000 15-year 5% debentures, due 1928; $41,233,330 preferred shares outstanding, of an authorized issue of $44,000,000; and

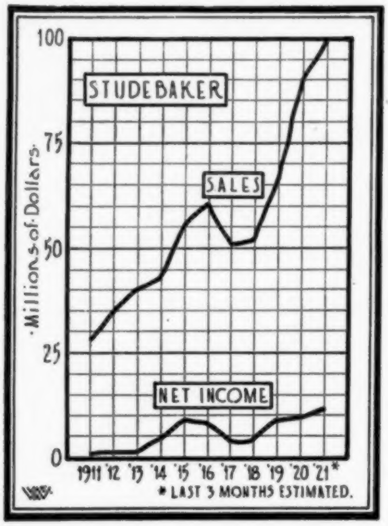
(*Continued on page* 440.)

Studebaker Corporation

One of the Strongest Motor Concerns

Adequately Supplied with Working Capital—Faces Excellent Future

WHILE it is generally conceded that management is the most important factor to consider in determining the investment possibilities of industrial companies, this is particularly true in the case of an automobile concern. Competition in this industry has become so keen in the past few years that only an aggressive and efficient management can expect to make good profits for stockholders.



Studebaker Corporation's record over the past several years has been one of steady progress. Progress not only from a sales standpoint but also so far as the car itself is concerned. The organization has never stood pat on any of its products and improvement has been the watchword. As a result the Studebaker car compares favorably with any other car on the market selling near its price. The American public has become more and more discriminating in its purchases of automobiles and when big value is offered for the money it is quick to take advantage of it.

As is well known, 1921 was not a good year for the automobile industry, many companies showing a heavy falling off in earnings, as compared with 1920, and General Motors was recently forced to omit dividends to stockholders. Studebaker, on the other hand, will report for 1921 the largest net income in its history. If it is true that the real test of management comes in the periods of depression, then this showing of Studebaker is certainly a remarkable tribute to the officials of the company.

Foundation Laid

The foundation for the splendid showing in 1921 had been very carefully laid. In the past few years Studebaker management took great pains to secure the very strongest agents in the largest cities of the United States, and as a result has one of the most efficient sales forces in the country. It was also realized that in order to give more value, at a price, production must be increased and a new $20,000,000 plant was completed at South Bend, Ind., in June, 1920, that is the last word in manufacturing efficiency. The combined plants of the company now have a capacity output of 100,000 cars per annum, as compared with a pre-war output of about one-third that number.

For the nine months ended September 30, 1921, $15.21 a share was earned on the $60,000,000 common stock. The last quarter of the year is not, as a rule, a very good one in the automobile trade, but it is understood that the company's sales of closed cars have been very satisfactory and that for the full year at least $17 a share will have been earned, and perhaps as high as $18. Good as 1921 was it did not measure the full possibilities of the company, as it did not operate at more than 75% of its present plant capacity. Of course, prices have come down materially in the past few months, but in this connection it should be remembered that because of success in selling cars in 1921 the company is not tied up with any high-priced inventories and is in a position to take full advantage of the lower prices prevailing for steel and other products that go into the manufacture of its cars.

All things considered, there is no reason to doubt but that Studebaker will do very well in 1922.

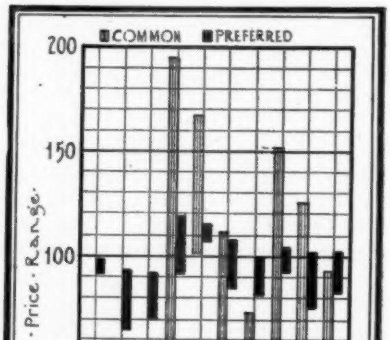
Financial Position

As of September 30, 1921, the company had a working capital of nearly $30,000,000 which, after allowing $100 a share for the $9,800,000 preferred, is equal to over $33 a share for the common. Studebaker is steadily accumulating cash, its bank balance standing at $9,333,846 on September 30, as against $6,374,030 on June 30 and $4,226,233 on December 31, 1920. At the present time cash on hand is understood to be about $12,000,000, which places the company in a position to meet any expansion in inventories that may become necessary by larger sales of cars this year.

From the standpoint of management, financial condition, plant efficiency and popularity of its product, Studebaker unquestionably stands among the leaders in the automobile industry. It might be well, however, to say a word as to the industry itself and its outlook. Sceptics say that there has been an overproduction of cars, that automobiles have been overdone and that sooner or later there is going to be a big reaction in this industry. The writer does not hold that opinion. The fact that there are 8,000,000 cars in use might incline one to take the view that there are too many cars for our population, but there is another way of looking at it. Every owner of a car is the best kind of a prospect for the purchase of a new car. About the last thing that people are willing to give up is the auto; the family piano goes first. There is a fundamental reason for this. The automobile has become more than a luxury and has taken its place as an economic factor of the first importance. It has become a part of the standard equipment of hundreds of thousands of salesmen, doctors and others whose work takes them from place to place, and in farming communities it has proven so valuable a time saver that the average farmer cannot afford to give it up. The automobile industry should no longer be regarded as a new industry that is still in the period of inflation. It has become thoroughly stabilized. The proof of the pudding is in the eating. In the period of depression through which we have just passed, the automobile industry came through in very much better shape than did most of the large industries of the country.

At present prices of around 101, the 7% preferred stock looks like a decidedly attractive investment, as there are no bonds ahead of it and the working capital alone is more than three times the preferred stock issue.

On December 31, 1920, net tangible assets applicable to the common stock amounted to $89 a share. This result is obtained by deducting from the total assets the book value of intangible assets known as "Trade-name, Good-will, Patent Rights, etc.," carried on the balance sheet at $19,807,277, or $33 a share.



The common stock, of course, is in a more speculative position at the present price of 81, as it has advanced from a low of 48⅜, made in January, 1921. A fair-sized reaction from present levels might easily occur, but if held for a long pull the stock appears to have good prospects of ultimately going to higher levels.

American Ice Company

1921 Its Best Year!

American Ice Files Unique Report Showing High Record Earnings Last Year—The Company's Record

THE American Ice Co. has given the financial community a taste of old times by filing a report for the year ending October 31, 1921, which shows not only the largest gross earnings for any twelve months in the history of the company, but also the largest earnings per share of preferred and common stock.

In these times, with 1921's industrial slump being reflected by woeful deficits in the annual reckonings of most other concerns, the American Ice Co.'s performance is nothing short of unique.

How the President Explains the Improvement

The president of the company—Wesley M. Oler (who, by the way, assumed office back in 1904, when the company's affairs were bordering on chaos), points to a certain three factors as chief contributors to the improvement. Since the company has prospered so well under Mr. Oler's management, it is worth while to consider his explanation. The factors singled out are:

(1) Increased Sales.
(2) Economies in Operation.
(3) Expansion of Plant Facilities.

To what extent sales have increased may be measured, in some degree, by the figures on gross sales shown in the accompanying Table 1. It will be seen that the company's gross in 1921 exceeded that for the best pre-war year (1910) by just about 100%. Also, that average gross earnings for the past twelve years (about $11,000,000) was exceeded by almost 50%.

Due allowance, of course, should be made for differences in the price charged for ice during the periods named. A large part of the increase may have to be attributed to this factor. However, a reduction in ice prices was put into effect during 1921. Hence, the company's excellent gross performance in that year may be considered a good barometer of its sales' increase over the previous years 1920 and 1919.

Such economies as the company has been able to effect in operation can, no doubt, be in large part attributed to two factors: (1) Increased Storage Facilities, and (2) Increased Artificial Ice Manufacturing Capacity.

Great storage space, of course, is an essential to any business which does a largely seasonal trade. The ice-making business is, probably, subject to wider seasonal fluctuations than any other. Hence it is plain that American Ice, by building up enough storage space to permit continuous production during the year, has gone far toward reducing overhead expenses and increasing plant efficiency.

The development of the company's artificial ice business has also contributed in large part to enhanced earning power. It has lifted American ice out of almost complete dependence upon weather conditions for its output, and permitted it to operate on sounder manufacturing principles.

So far as "expansion of plant facilities" is concerned, it is enough to repeat the president's remark, "by building new plants, overhead per ton was reduced and profitable additional business procured."

The Company's Record

What any concern can do in any one year is of investment significance only after comparison with previous years. Investigation into the past record of the American Ice Co. tends to dampen in some degree enthusiasm springing from the company's results in 1921.

What is, perhaps, the most striking feature of the company's record is the remarkable gyrations that have occurred in total earnings as well as in earnings per share. Two graphs accompanying this article picture these movements. They trace the truly remarkable advance in gross earnings during the period reviewed; and the ups and downs of earnings per share of preferred—including six years in which the 6% dividend was far from being earned.

The changes in respect of gross earnings, as said before, can be attributed in large part to the company's own efforts, aided and abetted by almost ideal weather conditions. The management deserves great credit for the improvement.

So far as the recorded contortions in earnings per share and, in turn, dividends, are concerned, these seem mainly attributable to the company's capital structure.

Capitalization

The capitalization of the American Ice Co. is divided as follows:

(*Continued on page* 423)

TABLE I.—SUMMARY OF INCOME ACCOUNT

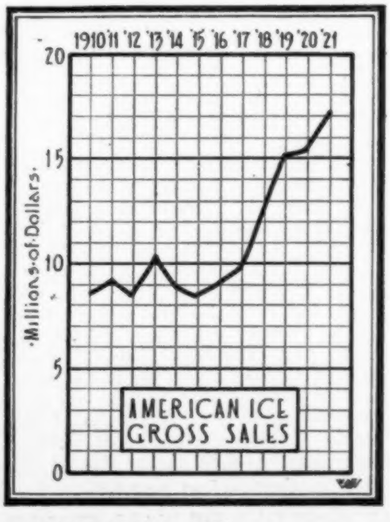
	Gross	Net Available for Dividends	Earned Per Share Preferred	Earned Per Share Common
1910	$8,662,000	$480,000	$3.22	.....
1911	9,009,000	596,000	3.99	.....
1912	8,638,000	309,000	2.47	.....
1913	10,491,000	1,659,000	11.12	$10.67
1914	8,827,000	409,000	2.73	.....
1915	8,640,000	526,000	3.53	.....
1916	9,173,000	706,000	4.72	.....
1917	9,840,000	1,094,000	7.33	2.77
1918	12,623,000	1,209,000	8.10	4.42
1919	15,346,000	2,024,000	13.52	14.97
1920	15,440,000	1,759,000	11.84	11.45
1921	17,251,000	2,357,000	15.67	10.43

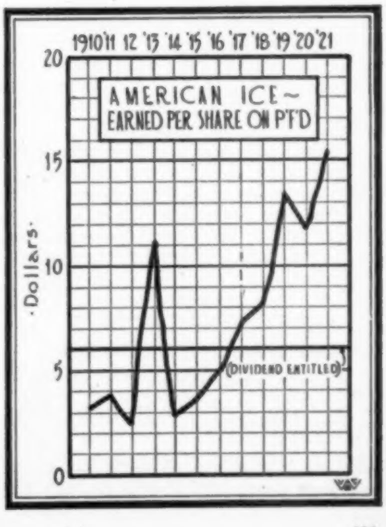
TABLE II.—DIVIDEND RECORD

Dollars Per Share

Year	Preferred	Common*
1899	$1.50	$1.00
1900-1	6.00	4.00
1902	3.00	....
1903-5	....	....
1906	9.00	....
1907-8	....	....
1909	1.50	....
1910-14	1.25	....
1915	1.50	....
1916	1.25	....
1917	3.75	....
1918-19	6.00	....
1920	6.00	4.00
1921	6.00	6.00

*Now on 7% annual basis.





Answers to Inquiries

On Industrial Securities

EDMUNDS & JONES

Preferred Has Good Possibilities

I would appreciate your advice as to whether Edmunds & Jones Corp. preferred stock is a sound security? Is the company in good financial shape?—D. A., New York City.

Edmunds & Jones Corporation for the year ended December 31, 1920, earned $97,768 net profits as against $408,361 in 1919. Preferred dividend requirements are only $60,870. The balance sheet as of December 31, 1920, shows fairly good financial condition with current assets of $1,300,000 as against current liabilities of $500,000. It can be seen, therefore, that the working capital alone is about equal to the $843,200 7% preferred stock. There is no funded debt. This company is one of the largest manufacturers of electric and oil lamps for automobiles. In view of the large security behind it we believe the preferred stock has good possibilities.

A $6,000-$7,000 INVESTMENT

Several Good Issues Recommended

I would be pleased to have you suggest for investment some good stock listed on the New York Stock Exchange. I wish to invest $6,000 to $7,000.—W. L. F., Chicago, Ill.

Your letter states that you wish to invest $6,000 to $7,000 in some "good stock" listed on the New York Stock Exchange. This is a little indefinite as we do not know whether you wish to purchase for the long pull or for a quick return, nor do we know whether you wish to purchase a high-grade dividend-paying stock or some stock that is more speculative but which holds forth promise of greater profits. For a high-grade stock we would suggest Allis Chalmers 7% preferred selling around 87. The working capital of this company is alone in excess of the preferred issue and we believe that it should ultimately go higher.

American Can preferred we believe to be in a very strong position. In spite of the fact that the company made large profits in the past several years, nothing has been paid on the common stock and all these earnings had been put back into the property, so that the assets behind the preferred now are very substantial. It is our opinion that this stock should gradually work up to around par.

Westinghouse Electric selling around 50 and paying $4 per share per annum also looks very attractive to us. This company has been conservative in its dividend policy and is in very strong financial condition. Recently business has shown signs of picking up.

CONTINENTAL MOTORS

Large Order from Durant Motor

I am the holder of 1,500 shares of Continental Motors, for which I paid 7¼, on the average. Do you believe it advisable for me to maintain my long position in this stock?—W. F. C., Cadillac, Mich.

Believe it would be advisable for you to hold your Continental Motors as there appears to be an excellent chance that you will ultimately be able to take a good profit on this commitment. The report for 1921 is not expected to be a good one because this company undoubtedly had losses to write off for inventory depreciation. The company is in fairly good financial condition, however, and has a very modern factory. This company has taken a large order from Durant Motor and the outlook for 1922 appears decidedly bright. The Continental Motor is regarded by the automobile trade as one of the finest motors manufactured and we do not see why it should not continue to grow in popularity.

INTERNATIONAL MOTOR TRUCK

Strong Financial Position

Please send me a short analysis in regard to the present position of International Motor Truck securities.—E. R. A., South Bend, Ind.

International Motor Truck Corporation for the six months ended June 30, 1921, earned approximately $527,000. Preferred dividend requirements for the six months are about $750,000, so it can be seen that in this period the preferred dividend requirements were not quite covered. The last six months of this year, however, are expected to show some improvement so that it is quite likely that the preferred dividend will be earned for the full year of 1921. The company is in strong financial condition. As of December 31, 1920, net working capital totaled over $19,000,000 and there was over $3,000,000 cash on hand.

Motor truck business in 1921 was very poor. Recently an increased demand has made itself felt in this line and indications are that 1922 will be a very much better year.

BUTTERWORTH-JUDSON

Would Enter Reorganization

I have 600 shares of Butterworth-Judson which cost me over $60 a share. Would you advise me to accept the reorganization plan or take my loss? —S. C., New York City.

Butterworth-Judson reorganization plan submitted to stockholders provides for the formation of a new company to have $2,100,000 7% 3-year mortgage "A" bonds to be issued to creditors for 90% of claim, $500,000 "B" bonds underwritten at par to make payment of 10% to creditors and provide working capital; 25,000 shares 7% preferred stock, $100 par, to be exchanged share for share for old preferred and 100,000 shares of common to be issued to underwriting syndicates and to stockholders who subscribe to bonds.

Under the plan depositors of common stock will be permitted to purchase new 'B" bonds at the rate of $6.66 2/3 for each share of stock deposited and upon such basis will receive 100% in common stock of the new company.

We have carefully studied all the figures available in regard to this company and while the future must be regarded as uncertain in view of the competition in the dye and chemical business, the management is generally regarded as fairly trustworthy and we should say that it has a fair chance of proving a success. In view of the large loss your commitment shows you, we would be inclined to enter the reorganization.

INVESTMENT FOR A WORKING GIRL

Six Sound Securities

I would be particularly grateful if you will recommend what in your opinion is the best investment you know of for a working girl to invest $600.—R. G. R., Jamestown, N. Y.

We suggest that the young lady referred to place her money in six baby bonds, each of denomination $100. We give you the list herewith:

- American Telephone convertible 6s.
- Hudson & Manhattan 1st 5s.
- Colorado Southern refunding 4½s.
- American Smelting 1st 5s.
- St. Louis-San Francisco prior lien 4s.
- Liberty Bonds 4s and 4¼s.

As this money probably represents savings, we could hardly suggest anything of a less fortified investment character than the investments above mentioned.

KELLY-SPRINGFIELD

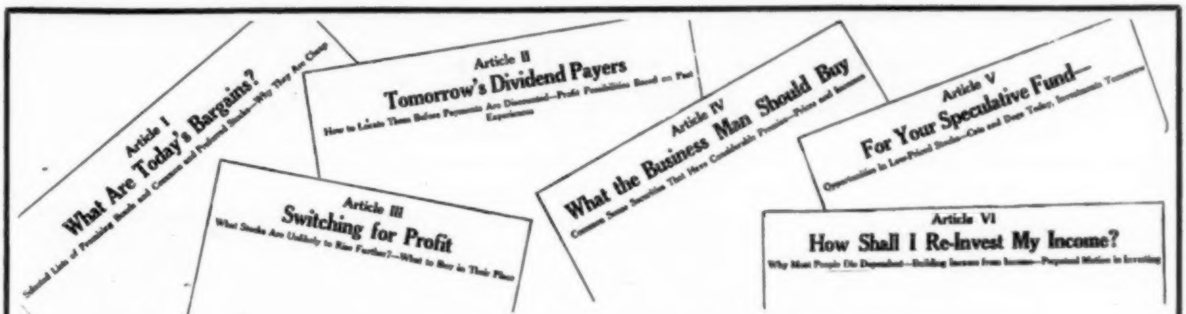
In Speculative Position

I was rather disappointed on receiving your letter of recent date as in answer to my inquiry on Kelly-Springfield you did not take a very definite stand. What I wanted was your real opinion as to the future course of the stock. I hold some at present prices of around 42 and was contemplating purchasing more.—F. J. H., Providence, R. I.

We regret that our information on Kelly-Springfield Tire in our recent letter did not seem definite enough to you. As a matter of fact, we rather hesitate to give a definite opinion of the stock at present levels, because so much depends on how conditions will work out in the tire trade in the next six months. At the present time, prices are very low and competition is decidedly keen. If a brisk demand sets in in the Spring, this condition may be remedied. Under favorable conditions Kelly-Springfield, due to its strong position in the trade and its new and modern factory, will be able to take advantage of any favorable opportunity to make good profits.

The last balance sheet published was as of December 31, 1920, but an analysis of this is hardly fair because the company's condition has been decidedly improved since that time. As of December 31, 1920, the company had notes payable of $8,000,000, but its inventory of $9,751,000 was materially cut down this year and the company is in much easier financial circumstances now. The report for 1921 is not expected to make a very brilliant showing as it is expected that further inventory losses will have to be taken. As of December 31, 1920, the company's working capital was $5,400,000 but in May of this

(Continued on page 420)



How to Invest Profitably Today

A Series of Six Articles

ARTICLE III

Switching for Profit

Some Stocks More Likely to Rise Than Others

THE subject of switching is one of the most complex problems the investor has to solve. At the same time, it is, of course, one of the most interesting and important of all connected with the stock market.

Broadly, there are two occasions when it is advisable for an investor to exchange one security for another, or one group of securities for another group. The first is when the investor's holdings have risen to such a high point that conservative policy dictates their sale and an exchange into securities which have not risen far, but which give promise of doing so eventually. The second, which is, unfortunately, the more common of the two, is when the securities held are in an unfavorable position and when their retention would probably cause further loss to the investor. The latter may include cases when it is advisable for an investor to switch from an admittedly good security, which is apparently selling too high, into another good security which is selling comparatively low, or when, in order to protect himself from further loss, the investor must seriously regard the advisability of exchanging such a security into another one which has better prospects.

At all times it is a prime necessity for the investor to keep in close touch with his investments. Conditions are constantly changing and "good" securities sometimes have a way of turning into the other kind. Also, many opportunities are lost by not watching developments in the security markets.

It is advisable for the investor to scrutinize his investments at least several times a year, make necessary alterations in his list of holdings and thus keep his capital employed at all times to the greatest advantage.

There is no necessity here to establish a case for switching. It has proven itself very helpful to investors on many occasions.

The principal point to be suggested in this article is that, generally speaking, it would be logical to switch from non-dividend paying securities into those which pay dividends. The reason for this is obvious: Unless the investor is taking a purely trading position, he should at all times be guided by the consideration of return on his invested capital. Only people of large means are able to afford the luxury of carrying securities which pay no income. This applies with full force to the small investor, who should be careful to derive the greatest possible return on the capital invested compatible with a reasonable amount of safety.

AN EXCHANGE OF SECURITIES

From—	Dividend	Price	Into—	Dividend	Price
General Asphalt......	None	58	Tobacco Products......	$6	63
Houston	"	74	Studebaker	7	80
United Drug	"	70	Reading	4	74
American Sugar	"	58	Beth. Steel B.........	5	52
Sears Roebuck	"	61	People's Gas	5	60
National Enameling..	"	38	White Motors	4	38
Republic Motor Tr...	"	7	Martin Parry	2	21
Chi., M. & St. P., pf	"	30	Colo. & Southern......	3	39

Among the non-dividend paying issues will be found a number that have already sustained large advances, and a number which, on account of the unfavorable circumstances surrounding the respective companies, are not likely to advance, at least for a considerable period. Both kinds could profitably be exchanged for more substantial issues with better prospects of market appreciation and which at least offer a return on the invested money. Such an opportunity is indicated in the accompanying table.

An Illustration

There are several salient features in switching which should be remembered by the investor. In the first place, the issue into which the exchange is to be made should, from most viewpoints at least, be a better issue than the one from which the exchange is made. Too many people make the mistake of exchanging into a more speculative type of security than the one from which they are switching. Very often this results in an additional loss. Such a situation should be avoided by the investor. He would be better off if he kept the original security.

On switching, it is not essential that both stocks be selling at identical prices. In fact, it is seldom possible to find a "perfect" exchange. Generally there will be a "spread" of a few points between securities selling at approximately the same levels. Nor is it, as a matter of fact, necessary for the stocks to be selling anywhere near each other, provided the amount invested in both issues is the same. Thus, to switch from a stock selling at 50 into one selling at 25 or 100 may be perfectly correct, all things being equal, even though the number of shares received in exchange might be greater or less than the original commitment.

The important point is, that one should be careful not to increase the commitment in dollars, because in that case more than a switch would be effected. In effect, there would be an actual purchase of new stock, which is quite a different thing from an exchange on a proportionate basis. In a word, if you have $2,000 worth of stocks you want to exchange, exchange them into other stocks worth $2,000. Don't buy $5,000 worth of the new, because in that case you would be making a new investment, which is not the purpose of an exchange of securities. The principal purpose of an exchange of securities is to improve the position of the investor, not

(*Continued on page 427*)

Building Your Future Income

Says the Old Timer:

"The time is past when the honest critics, the sensation-seeking mud-throwers, the dishonest critics, the cavilers and the self-appointed hostlers of 'a new day' can complain that wealth is for the wealthy, and that the poor man has no chance.

"The facts, seen with clear eyes, marshaled fairly, and analyzed logically are one thing. Distortion of the facts, whether for an ulterior motive, or as the result of an astigmatic vision, or an undeveloped intelligence are another. The latter—distortion of the facts—may still insist that only one man in a million—and that man a genius—can hope to rise from overalls to tweeds, from shanks' mare to a private car. But the former—the facts—refute their distortion and stand out clear and simple: If a man, no matter what his job, can spend a little less than he earns, there are ways of building that little into a competence. And a competence is wealth!

"*You,* in your grocery store—*You,* in your delivery truck—*You,* at your lathe: Rid your mind, once and for all, of poisonous suspicions, of false teachings, of idle bombast, of sensational rottenness. There is a niche for you, and each of you, and no class and no clique is set upon holding you back.

"Where begin? With the bank! One of the largest institutions in the country has, just recently, opened up its books to $1 accounts. You can put by that much, can't you? How go on? With the bank—until you have built up a sum big enough to justify 'distributing' your savings. Where then? Into insurance, that those whom you may leave dependent will not suffer. And then? A home—your *own,* big enough to swing a cat in, decent, clean—the greatest food for mental and moral and financial contentment that there is. And then? Into investments of the higher grade which, carefully selected, offer possibilities of 'principal enhancement' in addition to the fact that they bear income.

"A pest on the doubters and the sycophants and the would-be cynics: There are fewer poor people and more rich people in this country than there ever were before, ignoring war-times when everyone thought he was rich. You, no matter who you are, can be among the rich ones—

"If you want to."

Points for Income Builders

The Different Classes of Securities—Type of Investor Each Class Is Adapted To

THE elementary in finance, the fundamentals of finance, are what the new investor should concentrate upon. No investment career can be successful if it is superficially executed. Here, just as elsewhere, you must start at the bottom if you wish to eventually rise to the top.

One of the first things to know about finance is how to "place" a security. By that we mean, how to recognize its uses, its attractions and its shortcomings. If an investor can "place" securities for himself, then he need make very few, if any, mistakes in his investing. He will know a speculative stock when he sees one—and if he have not funds available for speculative purposes, he will know enough to steer clear of it. He will be able to recognize a strictly high-grade, gilt edged issue; and if he is looking for something volatile, in which there are possibilities of very quick market profits, he will appreciate the uselessness (as a general rule) of purchasing a security of this type.

In short, knowing what you are buying is a cardinal necessity in finance, and one of the fundamental requisites to success.

There follow brief descriptions, with examples, of the various investment classes.

Gilt Edged

A gilt edged security is a security in which, other things being equal, any investor can afford to place his surplus funds with relative absolute safety. It is the sort of security in which, as administrator of an estate, you would feel justified in placing the estate's idle cash.

The gilt edged class is not a class in which a security becomes entitled to membership by reason of words written on its face. A gilt edged security may, in the case of one company, be its common stock; whereas, in the case of some other company, it may be its first mortgage bonds.

A security is gilt edged when the credit of the issuing corporation is gilt edged, when the company's ability to continue dividends or interest is beyond question, when its earning power has been proven to be "stable"; and, above all, when the security enjoys a prior claim upon earnings.

As an example of a gilt edged security, the first issue that comes to mind—and naturally—is the U. S. Government Bond. Here is a security the safety of which is backed up by the homes, the business offices, the railroad lines, the grocery stores, the ferry boats and every other possession, income bearing or otherwise, of one hundred and ten million people, whose government is of their own making and who are of one mind on the question of maintaining its credit. To question the "safety" of the principal value of such a bond would be absurd; to doubt for a moment the income-producing power of the issuing government, having the richest people on earth to draw from, would be equally absurd. Such a bond is gilt edged in every respect. It is *standard*.

The value that lies in being able to recognize a gilt edged security was recently demonstrated by these very U. S. Government bonds. After Liberty and Victory bonds had first been issued, they declined, in accordance with money rates, to a point very far below par—in the case of certain issues to only slightly above 85. At that time there was much talk about the low estate into which U. S. Government bonds had fallen; elaborate plans were drawn up and submitted providing various sorts of funding arrangements by means of which these bonds could be restored to par; what seemed to be the whole financial community was aroused to the "crying need for action."

A certain section of the investing public, however,—that section which was capable of "placing" securities, and which knew a gilt edged security when it saw one, irrespective of that security's price—ignored the then current hysteria, and proceeded to place every available dollar in these Government bonds. The outcome was as inevitable as the laws of gravity. Money rates, in the usual course of human events, "gave"; the prices of all gilt edged securities (which are strictly governed by money rates) advanced; Liberty and Victory bonds were the leaders in the recovery; their buyers now have profits of from 10 to 12 points.

An Incidental Question

While on the subject of Government bonds, an incidental question comes to mind which was put to this department a while ago: "What is the difference, from the standpoint of a holder, between a hundred-dollar bill and a hundred-dollar Government bond?" There are, of course, many points of difference, technically speaking; but the reader may find it interesting to attempt to uncover fundamental points of difference between the two.

Middle Grade

There are as many securities in "Middle Grade" as there are people in the "Middle Classes." Middle grade securities embrace issues that are reasonably safe, in respect of invested principal, interest or dividends; but every security in this class possesses a slightly speculative tinge, which alone separates it from the gilt edged group.

Among the securities now available in the current market which should be classified as "Middle Grade," no better illustrations can be found than the bonds shown in the "Middle Grade" group of THE MAGAZINE's "Bond Buyers' Guide," which readers will recognize as a feature that appears every issue in our "The Bond Market" department. It would be unfair not to point out that a certain degree of arbitrary judgment is exercised in grouping these bonds; what our Bond Department styles "Middle Grade," other authorities might be inclined to consider superior to that rating. However, the conservatism with which these bonds are classified makes them excellent examples of "Middle Grade" issues.

It will be seen that the issues classed in this group represent companies whose earnings, although not much less stable,

$50 FOR BEST ARTICLE

In the Fall of 1920, our Building Your Future Income Department conducted one of the most successful prize contests ever held by any publication. Manuscripts were solicited from readers, as entrants in the contest, and the Magazine was rewarded with articles of immense practical value and interest written by readers all over the country. The publication of these articles since that time (practically every contestant wrote an article that was well worth publishing) has been a source of immense gratification and interest to our readers as well as the Editors.

We are now announcing a

NEW PRIZE CONTEST

—to be conducted along the same lines. A Prize of Fifty Dollars is offered by THE MAGAZINE OF WALL STREET for the best article on any one of the following subjects:

1. **How I Attained Financial Independence.**
2. **What Plan I Follow in the Re-Investment of Income from My Security Holdings.**
3. **How I Obtained My First Thousand Dollars.**
4. **How I Have Provided for My Children's Education.**
5. **What Provisions I Have Made for My Family in Case of My Death.**
6. **Investment Pitfalls I Have Encountered and the Lessons I Have Learned.**
7. **Why I Am Not Financially Independent at Fifty.**
8. **How I Financed the Building of My Home.**
9. **My Opinion of Rent-Paying vs. Home Owning.**

The list of subjects has purposely been made extensive so that our readers would have a wide choice to draw from. Any person who reads this announcement is eligible to compete, barring, of course, members of our Staff. BUT THE FOLLOWING RULES MUST BE OBSERVED:

1. **Articles must be not less than 1,000 nor more than 2,000 words in length.**
2. **Actual figures must be given to show the results you aim at, or have attained.**
3. **Definite conclusions must be reached.**
4. **Manuscript must reach this office on, or before, Saturday, March 11, 1922.**

As typical of the kind of articles we desire, we suggest that you re-read "Do $100-Investments Pay?" (December 10, 1921, issue); "My Plan for Financial Independence" (December 24th issue); "To Build or Not to Build" (November 12th issue).

Selection of the best article will rest with the Editors of THE MAGAZINE OF WALL STREET. All other articles found available for publication will be paid for. Names of authors will not be published unless desired.

Start on your story now and, when it is finished, address it to

PRIZE CONTEST, THE MAGAZINE OF WALL STREET
42 Broadway, New York City

are not quite so secure as those whose securities are listed in the gilt edged group; or else that they are not so "close" a lien upon the properties involved; or, if neither of the foregoing, they are classed as "Middle Grade" because of the character of the industry in which the companies are engaged.

It would not be a particularly good idea to single out certain investors and say, "Here, you should confine yourself to 'Middle Grade' issues!" There are too many attendant complications. What could be done, however—and fairly—would be to single out certain investors and advise them that they are not justified in investing in securities of any lesser safety.

Speculative Securities

Some time ago the Inquiry Department of The Magazine of Wall Street decided to print a certain sentence at the top of every letter sent out. That sentence reads:

"Securities classed by us as speculative should not be bought by small investors."

The purpose of the warning will be clear. No extended experience in finance is needed to show that the bulk of the investing public is inclined to chance-taking; and even less experience is needed to convince that chance-taking is not a wise policy for small investors—that is, for investors whose funds are limited and who are not in a position to stand severe losses on their commitments.

"Speculative" securities are securities which cannot be purchased with any substantial degree of certainty as to the outcome of the commitment. In this group there should be included such issues as the common shares of automobile manufacturing companies—securities representing companies doing a business which, while far from "hazardous in the extreme," is nevertheless subject to sweeping changes. Thus, witness the common stock of the General Motors Co., once thought well of above 40 (at a time when the company couldn't handle the business it was getting), but today a member of the non-income bearing ranks and being bandied around the market at less than $10 a share.

In the same group are the more remote issues of the oil companies, the mining companies, the railroad companies; in fact, all securities which do not have a prior claim on the earnings of the issuing companies and which represent companies whose earning-results, *based on the entire outstanding capitalization,* are not steady and dependable.

Physicians will tell you that certain foods are not "good" for certain people. The world has had enough experience with the medical profession to know that its advice is sound and to be willing to follow that advice. Perhaps the day will come when the honest financial physician will be recognized. When it does, about the first advice that sort of physician will give will be addressed to small investors; and it will be much the same as the sentence that appears on our Inquiry Department's letters.

What Kind of Insurance Is Best for Young Man of 25?

Why 20-Payment Life, with Endowment Option, to Cost $301 Annually, Is Recommended

By FLORENCE PROVOST CLARENDON

THE following letter of inquiry has been received from a reader of The Magazine of Wall Street and referred to me for answer:

Dear Madam: Your articles on insurance in The Magazine of Wall Street *have greatly interested me. In fact, I have definitely decided to take out a $10,000 policy. However, there seem to be quite a few problems involved as to what company I should give the insurance to and also just what kind of insurance would best fit my needs.*

I will state my case to you briefly and would greatly appreciate it if you would give me some assistance.

I am a subscriber to The Magazine *and have about $3,000 conservatively invested on the advice of* The Magazine's *Inquiry Department. This brings me in about $130 a year. My present income is about $2,500 a year, out of which I manage to save from $1,000 to $1,200. I am twenty-five years old, single and in perfect health. I believe I could well stand to invest $250 a year in insurance as a sound investment and part of an investment program. My problem, briefly, is as follows:*

(1) *Should I take a 20-year endowment life policy at my age or should I take a 40-year policy?*
(2) *Should I take a 20-payment life plan with cash surrender policy?*
(3) *Should I take a "straight life" policy?*
(4) *How should I select my company? Should I take a mutual, a stock company or an assessment company?*
(5) *Upon what points, or basis, should a policy be judged?*

These questions may seem a little elementary to you, but I ask them because I want to know the full facts and thus not be forced to act blindfolded.

My present plan is to take a $10,000-endowment policy over a period of 40 years in a mutual company. I am considering the Phoenix, Mutual Life of New York, Prudential, Metropolitan and John Hancock, and I have tried to judge between them on the following points:

(a) *Price of premium and liberality of policy.*
(b) *Strength and future of the company.*
(c) *Dividend record.*
(d) *Double indemnity clause.*
(e) *Loan value.*
—etc.

Would you please give me some information as to "stock," "mutual" and "assessment" companies and, if possible, your opinion as to what company it would be best for me to invest in? Should I divide the $10,000 between two companies? Can you give me a list of points whereby I will be enabled to determine what company to place my insurance with?

Also, if possible, would you please give me your opinion of the companies I have named, stating which ones you consider to be the three best? At present, I have about decided to apply to the Phoenix Company, but I am withholding final decision till I can get the opinion of those well informed.—J. G. V., Indianapolis, Ind.

I AM glad that my articles on life insurance have interested you and thank you for your letter.

I would suggest that you take a 20-Payment Life Policy with Endowment Option, in the sum of $10,000. Personally I think that a 20-Year Endowment Policy is too expensive for the average young man; while, on the other hand, an Ordinary Life policy is less thrifty. If you hope and expect to live to an old age, the payment of Ordinary Life premiums after age 60 is liable to become burdensome.

Under a 20-Payment Life Policy, with Endowment Option, the policy becomes paid up by its terms after payment of 20 annual premiums (in this case at age 45) and you could then, if you desired, continue to pay the same annual premium (reducible by dividends like the earlier premiums) for an extended period of 12 years, when the policy would become paid up *as an Endowment* (at age 57). In addition, there would be payable with the face amount of the policy in such case an extra payment of $40. When the Endowment Option is taken advantage of, it practically makes the contract comparable to a *30-Year Endowment.* The premium for this policy at your age (25) is $301.20 annually for $10,000, the premium being reducible by annual dividends.

In the matter of selecting a company, it is impossible to say that there is any one that could be called "best." Those you name are all good; and there are half a dozen or a dozen more that would be equally good. The important point is that you should take insurance protection promptly in a sound and conservative company.

The average business man cannot possibly judge the finer points of a life insurance company, and even an expert cannot look into the future for the 30 or 40 years during which your policy may remain in force. The net cost to you and the benefits to you are just about what you pay for in any one of the good companies, and you get good value for your premiums.

I would not advise your taking insurance through an "assessment" or fraternal society, and I do not think it worth while to split up a policy of $10,000.

It is quite possible that you may marry later and have dependents, in which case a 20-Payment Life Policy, with continuous protection for your family, is preferable to an Endowment under which you would personally receive the proceeds in cash. At any rate, under the 20-Payment Life form described, you have twenty years in which to decide your preference.

You can obtain both the Accidental Death Benefit (paying double the face amount of the policy in event of death by accident) as well as the Disability Benefit, with waiver of premiums and monthly income of 1% a month of the face value of the policy during the disablement of the insured in the majority of the companies you mention.

A handy reference book containing figures relating to nearly every company in the United States and Canada is "The Life Insurance Policyholders' Pocket Index," published by the Spectator Company. You could secure this book direct from there; or, if you prefer, the Magazine would probably get it for you. But it is scarcely necessary for you to delve into statistics in so detailed a manner when contemplating the taking of insurance in any of the "Old Line" companies mentioned. Their contracts are to a great extent similar, with varying benefits of practically equal value.

Married or single, you need insurance because it is a safe, conservative and practical investment, and any one of the companies named can fit you with a policy that will suit your needs.

What It Costs to Build a Home

How Much a Comfortable and Attractive Bungalow Requires—Cost of Construction and Carrying Charges

THERE are two sides to home building. One is the sentimental. The other is the financial.

It's easy enough to convince a man, or a woman, that home building is worth while from the sentimental view. Here, you play upon a deep-seated ineradicable instinct. It's as simple as convincing a man that he ought to eat three meals a day.

When you get to the financial side of it, though, it's not so easy. The little the average man can earn in the way of salary and the lot it costs him to live nowadays combine to prejudice him at the start against any proposition that involves financial risk.

What Has to Be Done

The only way to win your point, if you are determined to win it, is to present to the man a full and complete statement of: (1) The cost of building a home, and (2) The cost of running it. In other words, you must shear the proposition of every element of mystery and uncertainty. Then, perhaps, Mr. Uncertain will be able to summon up courage enough to go ahead.

We show, on this page, a picture of a small bungalow, based on a design specially worked up for our readers by a prominent New York architect. Mr. Eisendrath says: *A Bungalow of this design can be erected for $3,200 complete.*

There is your price. Now for a description of the home, so you will know what you and your wife will have. Note, please, that this is the architect's description:

"The bungalow here illustrated is intended to be located in a wooded country where rustic effects predominate. The design suggests a touch of the Japanese atmosphere. The general construction can be the same as any frame dwelling, and only differs in the exterior finish, and in the shaping of the main cornice to the lines indicated so as to simulate the Japanese bungalow character.

"Also it is especially important that the exterior finish throughout shall not be painted, but instead the wood of both the roof and walls should receive a coat of stain, so that the woodwork shall retain its natural character, and yet by means of the stain, will be protected against the effects of the elements.

"Another important characteristic to emphasize the rustic effect, is that the porch roof shall be supported with timbers formed with unbarked tree trunks, and likewise the same material form the porch railing.

"The chimney and fireplace of the living room should be built of rich red color, rough brick laid with wide joints in pure white color.

"The walls and the ceilings of the rooms can of course be finished with the usual plaster treatment, but for the sake of greatly reducing the cost, could be finished with anyone of the better quality wall boards, using wood mouldings to cover the joints, and thereby form panels on all wall sides.

"Some recent types of wall board can be used without wood strips, and therefore made to finish same as plain plaster surface, if so desired. The wood trim on the interior should be done in chestnut finish, with a flat wax finish, for the reason that chestnut is inexpensive, and has a rich grain texture which the wax finish retains and enhances.

"The outside wall board should consist of wide boards laid in the fashion known as shiplap, which also produces a quaint and charming effect.

"The plan of the interior is designed to produce the greatest number of separate rooms with the least amount of lost space for hallway, etc., and with all rooms having independent access to the bathroom, and all of ample size, and provided with abundant closet space.

"The attic space for storage is reached with an easy stepping ladder from the passage, as shown."

Those "Carrying Charges"

What would it cost to keep up a home of exactly this description?

Well, the dimensions of this home are 24 x 40. The design calls for a decent amount of ground around the building. Probably a plot 60 x 125 would be enough. Such a plot, in districts suburban to New York would probably cost from $1200 up. Let's not be too conservative. Call the plot-cost $1,800. (Of course, in less crowded, and therefore more desirable localities, this cost would be less.)

Now, there are three main factors in carrying charges. They are: (1) 6% interest on total investment, that is $1800 for plot and $3,200 for building, or total of $5,000. (2) Taxes. (3) Insurance.

Your total investment, in generous figures, will be $5,000, of which 6% will amount to	$300
Your taxes will not exceed, probably	125
Your insurance will be cared for at a rate of	25
Total	$450

In other words, by using such a design as this, a man can build an attractive, livable and sufficiently commodious home, on which the carrying charges will amount to about $37.50 per month.

How a Real Estate Bond Buyer Should Proceed

Six Hundred Dollars to Be Invested Annually at 6%—Result: $30,000 at Age 49

By **P. G. E.**

MY financial situation today is this: I am thirty-three years old, married, wife and two boys.

My personal property inventories at $2,000, which is fully covered by fire insurance. I carry $5,000 life insurance, as follows: $2,500 15-payment life; $1,000 20-payment life; and $1,500 straight life. On the first policy named I have paid five annual premiums, and on the second, two annual premiums.

I own 7 shares (par value $100) of stock in a real estate company dealing in cutover lands. The company has been in existence three years, but unimproved lands did not move very fast during wartime and no dividends have been paid thus far. The book value of the stock as of December 31 was $135 a share.

A Lesson

The latter was my first investment outside of life insurance and it taught me something in the way of investments. That is, it taught me that, although you may possess a stock that is absolutely secure as to the money you have invested, and although you may be reasonably sure of future dividends large enough to cover up lean years and give you a fair rate of interest on your investment, these are not the only two things to be taken into consideration in making an investment. The stock that I possess has no, or rather I should say it has only a very small collateral value. In times like these when there are so many splendid opportunities to secure high-grade securities, *it is well to have paper that you can take to a bank in order to back up a loan.*

In the second place, I found out that there was no current market for what I had.

These two drawbacks on my investment paper are, of course, drawbacks that you will always encounter where the issuing corporation is a small and localized organization. Understand that I am not at all sorry I made the investment; on the contrary, I have the utmost faith in it, first, because I know there is real value as well as real estate back of the paper; and, secondly, because the stockholders are known to me as successful business men and country bankers.

Real Estate Investment

Finally, I have a $200 equity in a 40-acre tract of land valued at $640. This land is situated within a half-mile of what it appears to me will become a thriving inland town in a few years. With this investment I am also satisfied.

I do not own a house, but live in rented quarters, paying $360 annual rent for accommodations that, were I to own the place, would cost $600. The place is large enough so that everything in the line of garden stuff and fruits may be had to supply the house fully and also have considerable for market. I also keep a flock of chickens to furnish enough of eggs and meat, and also help to cut down on the grocery bill.

While I know there is a certain amount of satisfaction and pride in owning your own home, yet I think it is proper to sacrifice that for the difference in cost.

My regular income is $1,800 a year and other receipts bring the total to over $2,000. During the war I was able to meet all necessary expenses, such as rent, clothing, fuel, groceries, insurance, recreation, medical aid, church, state and charity on $1,400. In other words, I could lay aside $600 a year. This sum I propose to save every year until I am fifty and to invest as follows:

I intend to invest $600 yearly for 16 years in 6 or 7% farm real estate mortgages.

Why Farm Bonds Appeal

A local trust company is issuing farm real estate bonds today in denominations as follows: $10, $25, $50, $100, $500 and $1,000. These bonds are backed by first mortgages on improved farms and are gilt-edged securities. They earn from 6 to 7%, and interest in many cases is payable semi-annually. Likewise, there is a premium usually of 2 to 3% if the bonds are called in before maturity.

This trust company has been in existence for nearly fifty years and so far not a cent has been lost to any of its patrons in either principal or interest.

These are the bonds that appear well to me, since small sums may be invested at a good interest rate. With this article, I give a table showing what $600 will do in sixteen years if invested at 6% interest payable annually and reinvested at 6%.

Such are the results of using the conservative 6%. If I had the least desire to retire on the above amount I will grant that it would be very modest. But let us say that, during the period from 50 to 60 years of age, I find myself still able to earn a living, although not able to lay aside anything out of my earnings, I could still keep the above amount at interest on the plan as outlined. Then if, at the end of my three-score years, I should peter out, I would have the sum of $29,240.57. This, together with the dividends on my paid-up insurance and other investments, should bring me 'way up above the $30,000 mark.

SIX HUNDRED DOLLARS AT 6% FOR SIXTEEN YEARS

What It Becomes

$600.00	invested	in	1921	amounts	to	$1,524.22	in 1937
$600.00	"	"	1922	"	"	1,437.94	" "
$600.00	"	"	1923	"	"	1,356.54	" "
$600.00	"	"	1924	"	"	1,279.76	" "
$600.00	"	"	1925	"	"	1,207.32	" "
$600.00	"	"	1926	"	"	1,138.48	" "
$600.00	"	"	1927	"	"	1,074.51	" "
$600.00	"	"	1928	"	"	1,013.69	" "
$600.00	"	"	1929	"	"	956.31	" "
$600.00	"	"	1930	"	"	902.18	" "
$600.00	"	"	1931	"	"	851.11	" "
$600.00	"	"	1932	"	"	802.94	" "
$600.00	"	"	1933	"	"	757.49	" "
$600.00	"	"	1934	"	"	714.61	" "
$600.00	"	"	1935	"	"	674.16	" "
$600.00	"	"	1936	"	"	636.00	" "

Total principal and interest. $16,127.06 " "

What Are Mortgage Bonds?

In view of the foregoing article, written by a reader of THE MAGAZINE OF WALL STREET, it may be of interest to review briefly, the mortgage bond field, pointing out what it includes and what its opportunities are.

Mortgage bonds represent what is nothing more than a modernization of the old-fashioned real estate mortgage. The difference between the two is simply this: Whereas the real estate mortgage that was worth holding in the old days was beyond the reach, financially, of all but wealthy persons, the real estate mortgage bond of today can be purchased by all classes—even by those who have only one hundred dollars to invest.

The explanation: The old-fashioned real estate mortgage was marketed in one, outright sum. The real estate mortgage of today is split up into hundreds; and bonds sold against each hundred dollars' worth to as many different investors.

Three prominent kinds of mortgage bonds come to mind from reviewing the subject. They are: Guaranteed Mortgage Bonds, issued on real estate in various localities, payment of principal and interest upon which is promised by the dealer: Farm Mortgage Bonds, as described in the foregoing article; and Mortgage Bonds such as those issued by a certain nationally known house—not accompanied by a guarantee, but having the tacit backing of an immensely strong organization.

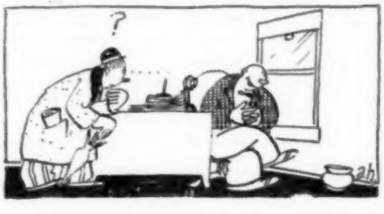
Real estate mortgage bonds can be had today to yield from 5½% to 7% on the investment. They are entitled to a high rating, when purchased through responsible houses.

R. T. H. HALSEY, who doesn't like to remember how many years he has served as a member of the Governing Committee of the New York Stock Exchange, is a great favorite among the newspapermen who visit the Exchange library. Whenever they hear a new story they seek him out and share the joke with him.

Not long ago Mr. Halsey found "Tim" Walsh of the New York *World* sitting in a chair looking out of the window and chuckling.

"What's the joke?" asked R. T. H.

"Just thinking," said Tim, "of the won-



Not long ago, Mr. Halsey found "Tim" Walsh of the New York World sitting in a chair looking out the window and chuckling

derful watch Divine Providence keeps over the world, particularly the United States."

"How's that?" asked Mr. Halsey.

"Well," said Walsh, "look at Russell Sage and Hetty Green. What a wonderful dispensation it was that they didn't pick each other out when they selected life partners!"

"Suppose they had married each other," continued Timothy, "can't you see that their children would have been cash registers?"

* * *

The average newcomer to Wall Street enters the district brimming over with knowledge and telling the world his motto is: "Take it from me." That's why Wall Street takes it.

* * *

Some System

To the Editor of Odd Lots—Sir:

Remember the fellow who used to read the Abe Martin cartoon every morning and dope out a horse race tip just from the remarks that was writ over or under the cartoon? Funny thing was that the cartoons was prepared about 10 days before they was printed and long before the entries was closed for the race tracks but they hit it nearly every time. The wise guy in New York used to dope out a bird entered at Jamaica on the same day some fellow in Nashville would pick out a Cumberland Park entry and a Baltimore tip-player would find the cartoon pointed irretrievably—I guess that's the word—to some selling plater in the last race at Harve de Grass.

Well, I got that skinned all right, for I got on to a new system the other day that I and a friend of mine that plays the market in the same shop has followed three days now and have been doing pretty well with, but on account it needs more capital than we will have for several weeks—until the system begins to bring in real returns—we're willing to tell you about it. We have been playing only the first four stocks we dope out, but if we could play all of them for hundreds instead of 10 shares each we would soon be riding around in Roils-Roses instead of having to come to business in our J. G. Brill 68-passenger cars.

However, this system consists in taking every morning the headlines over the stock market report in your favorite paper and finding out how many ticker tape signs there is in it. Then if the market was off at the close you go short on the first stock that comes out and long on the second, short on the third and long on the fourth, and so on. But if the market was up at the close you play the first long, the second short, and so on. It's a great scheme and due to its being simple makes it interesting.

Just to show you how you find these hidden stocks, I am adding to this letter the first few lines of the market report I used this morning, the capitals being mine to show how the cymbals is got out of it. Here it is:

ST o C K M AR k e T t R e N d
d OW n, P ri CE S s AG

You get the idea, don't you? Cutting out the letters not used you have these stocks tipped off: ST C K M AR T R N OW P CE S and AG. The market being lower you begin by selling the first stock short, the second you buy, and so on. So you get this:

Sell: ST K AR ROW CE AG
Buy: C M T N P S

Of course you know these abbreviations. But figure out the capital needed to follow only the headlines! I would have to have enough jack to go short of St. Paul, Katy, Smelters, Reading, Ontario & Western, Chicago & Eastern Illinois and Atlantic Gulf, while going long of Anaconda, Marine common, Texas Pacific, Norfolk & Western, Pacific Mail and American Sugar. Say about $15,000 margin. And while I got a good broker I wouldn't leave that much overnight with any of 'em.

Maybe you might know some way for me to make money out of the system, such as selling the tips or something. My broker told me to write to a fellow named Ignatius Donnelly in St. Louis but the letter come back account the fellow died and left no forwarding address. Another friend who I told this to said to send the dope to Roger Bacon, but this was a joke he being the fellow who proved Shakespeare didn't write Shakespeare's plays but they was written by another guy with the same name. However, you may find the plan interesting, so do as you please with this. Yours respectively,

F——O O'L——.

* * *

EXTRACTS

From the Market Letters of Bunkem & Skinnem

Make your orders read "At the market." You've no idea how much this saves our office force after the close of the market. Sometimes it's half after 4 o'clock before we can get an evening newspaper with a complete open-high-low-last table in it. It wouldn't be so bad if we had a ticker —but we haven't.

We are not going to quarrel with any of our customers who are trading on thin margin. We've been traveling on thin ice so long that we have a fellow feeling for others. Besides, it's much easier to clean a customer who has a thin margin.

That Kelly-Springfield break of 6 points on the first day of the new year was a life-saver, and the technical position of many of the non-member brokers was materially strengthened.

* * *

Over in the board room of one of our leading houses the other day we ran into an old acquaintance whom we had not seen for a year or more.

Last time we met he was full of plans

The average newcomer to Wall Street enters the district brimming over with knowledge and telling the world his motto is: "Take it from me." That's why Wall Street takes it.

for sending his two sons through colleges. First, he'd figured on Yale or Princeton for them (and as he is a Harvard man himself that came near proving that some Harvard men have intelligent spells at times). Then, he wanted them to have a post-graduate course, say at Oxford or some other shoe town.

The market must have been going against him since we saw him the last time, for when we broached the subject, saying:

"Picked out the college for your boys yet?"

He came right back at us with:

"Yep! The I. C. S."

Mining

Five Low Cost Copper Producers

Cost of Production a Vital Element—The Outlook for Copper Shares

By **D. I. CASETT**

WHEN several manufacturing companies are producing an article of uniform quality that sells at a common market price, the one with the lowest production cost is generally supposed to have the greatest commercial advantage. However, when we are particularly interested in comparing the securities of these manufacturing companies, many factors beside the current cost deserve consideration. Such other factors include future price to be received for the product, permanence of the enterprise so far as its supply of raw material is concerned, possible changes in operating conditions for better or for worse, management, control, and competition.

With these ideas in mind, it is of interest to inquire into the conditions surrounding some of the low cost copper producers, in order to observe whether this quality is an important or essential characteristic of some of the most popular copper shares. The accompanying table contains statistical data with regard to five of the lowest-cost producers during 1920, and the list includes the most active coppers with the exception of Anaconda, which although not a low cost producer of copper, is in a class of its own as a mining and industrial enterprise, and its claim to popularity lies elsewhere than in its ability to produce copper at low cost.

It is reasonable to suppose that as the unsold supply of copper is reduced, with consequent increase in market price of the metal, the first companies to resume operations will be among the low-cost producers that are not already working, for these will naturally have the advantage of being able to operate at a profit before their less fortunate competitors can do so.

COMPARATIVE STATISTICS OF FIVE LOW-COST COPPERS

	Chile	Inspiration	Kennecott	Miami	Utah
Shares Outstanding	3,800,000*	1,181,967	2,787,081	747,114	1,624,490
Funded Debt	$50,000,000	None	$15,000,000	None	None
Working Capital	$25,000,000	$9,218,531	$22,814,923	$7,250,128	$21,108,147
P. & L. Surplus..........	$ 5,173,840	$8,036,651	$16,094,698	$21,861,035	$44,177,422
Ore Reserves (Tons)......	690,306,106	72,374,741	264,390,000	52,723,410	264,130,800
Av. Copper Content (%)..	2.12	1.08	2.26	1.41	1.35
1920 Output (Lb.)........	111,130,224	79,453,740	117,017,280	55,581,328	101,897,758
Output per share (Lb.)...	29.2	67.2	42.0	74.4	62.7
Cost per Lb. (Cts.)......	13.18	14.17	12.97	11.90	13.14
Estimated Life (Yrs.)†...	263	16	102	27	96
Earned per share (1920)..	$0.075	$1.94	$0.52	$1.89	$3.03
Paid per share (1920)....	....	$3.50	$1.00	$2.00	$6.00

*Subject to increase through conversion of bonds.

†Based on estimated average assay value of reserves and 1920 production, and therefore subject to adjustment as these factors change.

MIAMI

During the first half of 1920 Miami operated at about 80% capacity, and then dropped to about 70%, its monthly production of refined copper averaging about 4,632,000 pounds. It has maintained this stride during 1921, during which its monthly production ranged from about 3,800,000 pounds to 4,600,000 pounds. Miami has been in a better position than most of the other copper companies, in that it has not been burdened with a large surplus of unsold metal. The company has gone through the depression with flying colors, and has continued its dividend at the rate of $2 a share. In view of Miami's present satisfactory financial position, and the greatly improved outlook in the copper industry, it is safe to count upon this dividend as the minimum to be expected for the next few years. The company has been conservatively managed, its production costs have been unusually low during the past two years, no doubt partly on account of the fact that it favored some of its higher grade ore during periods of high labor costs, and its reserve is ample for some years to come. The ore reserves as estimated in our table are made up of three classes of ore, as follows: 10,700,000 tons of high grade sulphide ore averaging 2.26% copper; 36,000,000 tons of low grade sulphide ore averaging 1.06% copper; 6,000,000 tons of sulphide and oxide ores averaging 2% copper.

About September 1st the shares were selling around $20 and during September, October and early November the shares were under quiet but steady accumulation, resulting in the gradual raising of the price to about $23 a share. About the middle of November this accumulation began to have its effect and the price advanced to between $25 and $26 a share. Early in December additional strength was in evidence, culminating in a price of $28 on December 16, following which there were reactions to 25¼ on December 23, and 26⅛ on January 6. With the company in position to take full advantage of the improvement in the industry, the shares can be purchased to advantage in the present dip, or on any subsequent reaction to around $26.

KENNECOTT

Kennecott may be considered in a strategic position of the copper industry, not only because its average costs are low, but also because of its diversified interest in both high grade lode properties, low grade porphyry properties, and substantial stock ownership in Utah copper, which is itself a low cost producer of great stability, with an excellent past record and a long and prosperous life ahead. Kennecott owns its high and low grade properties in Alaska, and holds 2,565,976 of the 2,590,706 shares of the issued stock of the Braden Copper Mining Co. Its holdings in Utah copper are represented by 616,504 shares, which represent about 38% of Utah's outstanding stock. Kennecott owns also 51% of the capital stock of the Mother Lode Coalition Mines Co., incorporated in May, 1919, and which is reported to be developing favorably.

During the latter part of 1920 the production was held up around 11,000,000 pounds of copper per month, but early in 1921 the production was greatly curtailed, and has been reduced to about 5,000,000 pounds per month. Recent costs, exclusive of certain overhead charges, have been estimated as low as 10 cents a pound. No estimates are published with regard to ore reserves of the high grade properties in Alaska, as these are lode mines and the reserve is difficult to estimate with accuracy, in view of the fact that it would not be profitable to block out the large tonnage ahead of production. However, the ore reserves of the Braden properties in Chile are estimated at 176,640,000 tons of positive ore, averaging 2.45% copper, and 87,750,000 tons of probable ore, averaging 1.87% copper. The estimate in our table is a composite of these two

classes of ore, and is based on the assumption that this tonnage will be ultimately available.

With regard to the technical position of the shares, it is apparent that they have been under steady accumulation during the past three months, and have risen in value from about $18 a share to the recent high of $27¾ on December 27. The stock began to show more than ordinary activity on December 9, when the accumulation had been going on for several months, had the effect of a sharp rise to 27¾ on December 15, following which there was a reaction to 24½ on December 22 and following this, another reaction from 27⅞ to 25½. The shares are about to emerge from the last reaction and should be regarded favorably at around 26, and following any subsequent reaction to about this level.

UTAH

This company needs no introduction or review at this time, in view of the recent comment thereon in THE MAGAZINE OF WALL STREET dated January 7, 1922. Utah is one of the greatest copper mines in the world, and has had a record which marks it as a stable and profitable enterprise for many years to come. A minimum estimate of its probable life after allowing for contingencies and possible unfavorable developments, allow it thirty years of profitable operation. However, in view of its large reserve, improvements in mining and metallurgical efficiency, and other developments which may have the effect of perpetuating its existence, its span of life may be much longer than thirty years, although it may not last the ninety-six years as suggested in our table, for this figure is based on the 1920 rate of production, which is likely to be exceeded from time to time, particularly if we are to pass into a period of excessive copper consumption during the next ten years, as some followers of developments in our electrical industries would have us believe.

After rising rapidly through six points from below 45 to above 56 early in September, Utah was under steady accumulation throughout the following five or six weeks, and following a sharp reaction to below 51 about the middle of October it advanced steadily to 66⅝, the high point for the year. Selling ex-dividend on December 16, it reacted sharply to 61 on December 22, rose to 65⅛ and again reacted to 60⅝. Following the present reaction it should begin another advance as a further discounting of the company's proposed resumption of activities scheduled for April. The present dividend is equivalent to a yield of only 3¼%, but the stock is discounting the larger dividend which will probably be in effect before the end of the present year.

CHILE

Chile Copper Co. controls the largest reserve of copper ore in the world, the total tonnage as estimated at the present time being greater than the reserve of Utah, Kennecott and Miami combined. The production was over 111,000,000 pounds during 1920 and has averaged about 4,000,000 pounds per month during the latter part of 1921. Recent production costs are reported under 11 cents a pound, including selling and delivery expense but excluding depreciation and federal taxes. Operating officials hope to attain even lower costs as a result of substantially increased production. However, such large increases in production as are contemplated cannot be reached immediately, but only after installation of considerable additional equipment, the proper adjustments of such equipment so as to insure its smooth and efficient operating conditions, and the coordination and adjustment of mining and milling activities, all of which is no easy problem with operations on so vast a scale.

In considering the shares, it is important to bear in mind, first, the large number of shares outstanding, now 3,800,000 and subject to the addition of 1,600,000 additional shares if the bonds are ever converted; and second, the large funded debt amounting to $50,000,000.

These shares have been under accumulation since the low point was reached in the market last year, and on December 10 activity resulting from this long accumulation, combined with a strong rally in the general market, pushed the shares up to 16⅞, the high point for the year. Subsequently the shares reacted to 14½, rallied to 16¾, and then settled to a level between 15 and 16. In considering the technical position of this stock, it was necessary to give attention to the possible effect of the conversion priviliges of the bonds. The collateral trust convertible 7s, due May 1, 1923, amounting to $15,000,000, are convertible at any time into common stock at par ($25) with a cash adjustment as to interest and dividends. Observe that this conversion date is about sixteen months away, and although the recovery of the copper industry might easily account for a speculative rise to $25 within this period, it is reasonable to suppose that every effort will be made to make these shares look attractive enough for conversion before May 1, 1923. Therefore, it is probable that the shares will sell around, or above, $25 with a period of a year, regardless of ordinary market influences. The collateral trust convertible "A" 6s, due April 1, 1932, amounting to $35,000,000, are convertible at any time into common stock at $35 per share. In view of these conditions, the convertible "A" 6s are not likely to be affected by the market behavior of the shares for a long time to come. The shares may be a good speculation at around present prices, but in view of the fact that they have already had a substantial rise from previous accumulation level, it would appear wise to purchase them only following a sharp reaction, or direct attention to issues having greater possibilities for the immediate future.

INSPIRATION

During 1919 and 1920 the annual production was about 6,500,000 pounds of copper. Toward the end of 1920 and during the first three months of 1921, the monthly production fell off to about 5,000,000 pounds. Inspiration is one of the latest large porphyry coppers. Substantial operations began in 1915, and the heaviest production was over the period from April, 1916, to June, 1917, then operations were suspended for about two months on account of labor troubles. During this period of intensive production the output was between 10,000,000 and 12,000,000 pounds per month. Since that time the production rose from 2,000,000 pounds per month, when operations were resumed after the shutdown, to above 10,000,000 pounds, and then settled down gradually to 5,000,000 pounds.

The period of intensive production was marked by relatively high earnings, which have fallen off with declining production during the past few years. In 1916 the net income was above $20,000,000, in 1917 it fell to $11,000,000, was $8,230,000 in 1918, $4,180,000 in 1919, and $2,300,000 in 1920. Dividends were initiated in 1916 and during this and the following year they were earned by a comfortable margin. However, since 1917 the company has distributed more than it has earned, so that during the three years ended with 1920 nearly $5,000,000 has been paid out of surplus.

Inspiration's ore reserves do not give it as long a life as most of the other large porphyrys, but sixteen years is no doubt long enough for the property to regain its investment position before the end of the approaching period of prosperity in the copper industry. In any event, the active life ahead of the property is ample for many important speculative swings. During the latter part of 1920 the shares were accumulated until they began to act under this influence towards the end of October. From October 18 to December 17 the shares rose from 33¼ to 42¼, then reacted sharply in company with other metal shares, and most other industrials, until they touched a low point at 37⅝. Following a sharp rally to 41¾, the stock has settled back to between 38 and 39, from which general levels a further advance is to be expected as activity in the industry increases.

PRICE RANGE OF FIVE LOW COST PRODUCERS

	1919		1920		1921		Recent	Points Above
	High	Low	High	Low	High	Low	High	1921 Low
Kennecott	43	27⅝	33½	14⅝	27⅞	16	27⅞	11⅞
Chile	29¼	16⅜	21½	7⅜	16⅞	9	16⅞	7⅞
Miami	32⅝	21	26	14½	28	15¾	28	12¼
Utah	97½	65¼	80⅝	44½	66⅝	41⅛	66⅝	25¼
Inspiration........	68⅝	42½	61⅞	28	42¼	29⅝	42¼	12⅝

Petroleum

Texas Company

A Powerful Factor in the Oil Industry

Highly Developed Corporate Policy—Favorable Trade Position—Strong Finances

***By* E. R. LEDERER**

WHEN in April, 1902, a small group of keen and far-seeing men, under the leadership of Charles Gates, incorporated the Texas company under a 50-year charter, they probably did not foresee that they had laid the foundation to one of the largest independent oil companies, whose rapid growth and world-wide development is outstanding in the history of the petroleum industry.

Gates was associated with men like J. S. Cullinan and W. H. Sharp, who knew the oil game and all connected industries through and through, and he had the benefit of the legal advice of the late Judge Autrey, a recognized legal authority and prominent figure in Texas political life.

From its infancy the Texas company was favored by a strong organization, wise management and loyalty of its employees. It withstood, therefore, without any ill effects depressions in industrial life and a few severe disagreements among the members of the board, the most critical probably, when Cullinan and Autrey and their friends and followers left the ranks in 1914 and started a large oil venture of their own which soon attained prominence.

There is no doubt that to all these men and to the rapid development of the Texas company is due great credit for the prominence the state of Texas has today as an oil-producing and oil-refining state.

The Texas company soon outgrew the boundaries of the native state and carried the Texas star all over the world where oil products are used.

Financial Position

The financial position of the company is an enviable one from every viewpoint. The management has adhered always to the policy of financing the growth of the company through stock subscription by the shareholders; good and regular returns from these investments created prompt response whenever new stock offerings were made in order to provide for sufficient capital for the necessary expansion of the company's interests. Liberal terms were made to the many thousands of employees to permit them acquisition of stock and increase their income from salary and bonus, also through dividends. This policy created loyalty and faith in the wisdom of the management and is a strong tie between board, stockholder and employee, which can only benefit the company's prosperity. A few figures will prove this: The stockholders invested since 1915 the sum of $121,450,000 in stock subscriptions. At the end of 1920 the outstanding capital was $130,000,000, or 381% over the $27,000,000 capital in 1912. Today the capital of the company is $164,450,000, or 26½% more than it was a year ago.

TEXAS COMPANY

WORKING CAPITAL

	Assets	Liabilities	Working Capital	Ratio of Working Capital to Gross Earnings
1912 (June 30)	$18,712,474	$3,527,968	$15,184,506	105.38%
1913 (June 30)	34,001,818	7,106,782	26,875,036	103.90%
1914 (June 30)	31,429,802	6,328,908	25,100,894	96.82%
1915 (June 30)	35,608,201	8,048,204	27,559,997	104.43%
1916 (June 30)	52,938,414	14,164,070	38,774,344	102.83%
1917 (June 30)	60,315,258	16,438,523	43,876,735	89.56%
1918 (June 30)	84,160,949	20,104,276	64,056,673	80.00%
1918 (Dec. 31)	90,220,281	26,342,942	63,877,942	71.76%
1919 (Dec. 31)	111,953,074	40,833,434	71,119,640	69.04%
1920 (Dec. 31)	145,395,701	28,362,395	117,033,306	81.95%

There is only one bonded debt outstanding, namely, $32,749,000, out of $35,000,000 authorized 7% notes, due March 1, 1923, covered by a semi-annual sinking fund of $2,500,000, and quick assets equal to 150% of the liabilities; this is one of the best and safest investments among oil issues. During the banner year of 1920, gross earnings showed a gain of $39,819,734 over the previous year, or an increase of 38%; net profit exceeded the 1919 figure by 52%. Expenses in 1919 took 71.64% of gross earnings, in 1920 only 68.84%.

Gross earnings in 1920 show an increase of 883% over 1912 earnings and grew two and one-half times more rapidly than the capital. The profits of foreign subsidiaries are not included in these returns and would increase earnings considerably.

Avoidance of Losses

The clear financial policy of the management guarantees wise investments and prevents operations at a loss. Once figures prove that an investment does not come up to expectation, such property is disposed of immediately and always to the benefit of the stockholder. This was found to be the case with the Central Petroleum properties, which were sold at $5,500,000, saving large expenses for development at a time when the company's own production and storage was ample to take care of the market.

On the other hand, there are always large funds in the treasury with which to take advantage of favorable conditions permitting the purchase of production when the market is low.

The crude oil stored by the company during the depression last summer increased by about $30,000,000 in value by the end of December, 1920.

The acquisition of the enormous sulphur deposits at Hoskin Mound in Texas should prove to be a very valuable asset and a source of considerable income to the company's stockholders. During the last three years these sulphur beds have been proven up and are now estimated to be good for 17,000,000 tons of sulphur, worth between fifty and sixty million dollars. The near future will show if the company will simply turn the stock in this sulphur company over to the shareholders as a gift—which it can very well afford to do—or let them subscribe for it at probably very favorable terms.

Subsidiaries

The Texas company is engaged in all three branches of the petroleum industry—production, pipe-line transportation and refining. Up to 1917 the first two named lines of business had to be carried out, under the Texas state laws, by a separate company, the Producers' Oil Company, whose entire stock was owned by the Industrial Securities Company, a Texas company subsidiary.

As soon as the legislature permitted the holding company to engage in producing and pipe line transportation the former two companies were dissolved and the Texas Pipeline Company of Texas with $14,000,000 capital and the Texas Pipeline Company of Oklahoma, capitalization of $6,000,000, were formed. These two companies take care of the companies' production and pipe line system in Texas, Oklahoma, Midcontinent, Kansas and Louisiana.

The total crude production of the company during 1920 was 34,271,829 barrels, of which over 22,000,000 were produced in the United States.

The daily production today is over 70,000 barrels and is increasing continually, especially since the company entered the Mexia field. The company owns in fee over 350,000 acres and under lease probably near to 2,500,000 acres. Drilling operations cover practically every proven oil field in the States, with the exception of California and the Eastern fields. Some of them have been most successful, producing large gushers, like the Abramswell and many others.

The extended pipe line system of the Texas Company brings the oil from the large producing fields to the refineries and terminals; about 1,500 miles of large main lines and many hundred miles of laterals, with large tank farms and pumping stations, keep the refineries operating at full capacity and transport far over 100,000 barrels of oil a day. The total steel storage of the company is estimated at over 35,000,000 barrels, with an additional emergency storage of 10,000,000 barrels.

TEXAS COMPANY

EARNING POWER

(July, 1910-Dec. 31, 1920)

Net profits available for dividends	$137,365,844
Annual average	$13,082,461
Percentage earned:	
On $51,050,761, the average outstanding capital stock.	269.08%
Annual average	25.62%

December 31, 1920:

Tangible assets applicable to 5,200,000 shares, $43.53 per share ($25 par).

Including stock dividend warrants (10%) for 520,000 shares, asset per share (5,720,000 shares) $39.57.

Through the Texas Steamship Company the Texas Company operates a fleet of fourteen tankers of about 80,000 deadweight tons; another big tanker is reported as ready for sea and one under construction, bringing the total tonnage near to 100,000. A large fleet of sailing vessels, tugs, cargo carriers, barges, etc., completes a well operated marine transportation equipment.

The company entered Mexico in the early stages of development in that country. It started out in 1911 in the Panuco field and got some of the biggest wells there. The Texas Company of Mexico extended its activities also over the Light oil district and soon became an important factor in Mexican oil exports. It owns about 6,000 acres in fee and 150,000 acres in leases; during 1920 and 1921 the exports averaged 1,000,000 barrels a month The salt water has naturally greatly reduced the Mexican production, but no doubt the outfall in Mexico will be replaced by production from other foreign countries.

The Mexican installation is of considerable size, two 8,000 barrel topping plants, one in Tampico and one in Port Lobos with two large loading terminals with berths for three tankers in Tampico and two on the coast, take care of the crude transported to Tampico by barge lines from Panuco (20,500 barrels a day) and through pipe lines from the Lower light oil field (50,000 barrels a day). Up to 1918 the income from this Mexican subsidiary was not very satisfactory, but a radical change in the management in 1919 transformed the 1919 deficit into a considerable surplus for 1920. The parent company owns securities amounting to more than $21,000,000 in all the foreign subsidiaries. These cover almost the entire world with bunkering stations, warehouses and distributing stations.

Foreign Business

The scope of the Texas Company's foreign business is enormous and the most energetic policy is maintained to plant the Texaco star even in the farthest corners of the world: Australasia, South Africa, South America, England, France, Belgium, Germany, the Philippines and West Indies have separate subsidiary Texas companies. Well equipped storage plants in Norway, Sweden, Netherland, Italy, in Bombay, Calcutta, Rio de Janeiro, Cape Town, Johannesburg, etc., provide large territories with Texaco products. Quite recently agencies were established in China and Japan.

Enters South America

Last June the Texas Company obtained control of the Carib Syndicate, Ltd., and the latter's valuable Barco concession of 1,250 square miles and leases of 1,400,000 acres in the Magdalena and Atlantic Coast district of Colombia.

The Texas Company paid $5,000,000 for 51% Class B stock in the new Carib Company of Maine and controls, with seven directors out of eleven, the management of the syndicate affairs; the original owners of Carib Syndicate got four places on the board and 41% Class A stock. However, a very conservative development policy will be established by the experienced board of the Texas Company and the stockholders are well protected against any promiscuous and expensive campaign.

Refineries and Terminals

The refineries of the Texas Company rank with the best and most efficient ones in the country. The oldest plants in Port Arthur and Port Neches, operating since 1906, were the first ones in Texas. The Port Arthur plant has grown since to 45,000 barrels capacity, producing every known grade of mineral oil products. Special plants manufacture cans, cases, drums and barrels; the dock facilities, power plants, water works, gas plants represent the last word in modern construction. With the rapid growth of this

(*Continued on page* 437.)

TEXAS COMPANY

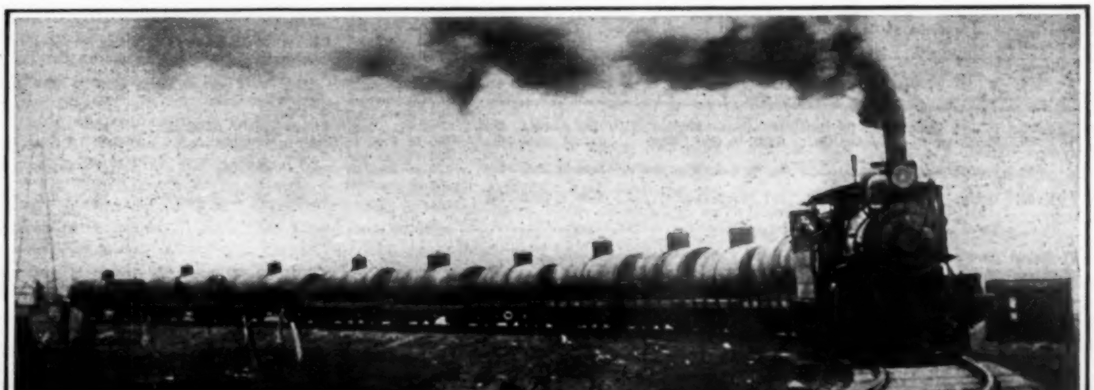
EARNINGS

(Gross, net per share and surplus since 1912)

	Gross	Net	Per Share	Surplus
1912	$14,529,540	$2,203,882	$8.16	$2,456,876
1913	25,882,863	6,063,123	24.68	7,500,000
1914	25,924,404	6,185,914	20.62	11,135,974
1915	26,391,745	6,393,326	21.31	14,529,301
1916	37,708,382	13,898,861	37.56	25,078,162
1917	54,339,050	19,724,526	35.54	40,270,188
1918	80,206,663	20,040,001	29.75	54,667,429
1918 Dec. 31	44,522,500	8,201,726	12.66	60,000,406
1919 Dec. 31	102,896,597	18,671,416	21.96**	77,505,491
1920	142,806,331	31,080,372	5.98*	83,342,798

*On $130,660,000 stock at 25 par.

**On $85,000,000 stock at 100 par.



Train of Tank Cars Pulling Out of a Texas Field

Public Utilities

$5,000 in Public Utilities

A Diversified Investment Yielding Over 7%

By J. R. CRANDALL

THE immediate future of the public utility companies is brighter and more definitely assured than that of any other class of industry. The past four or five years have probably been the most trying in the histories of our big public service enterprises, but as general conditions return to normal, increased earnings will be the order of the day.

With the possible exception of a few traction situations in cities where an antagonistic political adminstration holds sway, the large majority of utilities can see decidedly better times ahead. The reasons are so apparent and have been emphasized so many times in the columns of this MAGAZINE that it is quite unnecessary to go into a detailed discussion of the various phases of the underlying conditions that so completely assure a brilliant future for the public utilities. Suffice to say that over the past several years the various public service commissions throughout the country have, quite generally, granted increases in rates which are likely to remain in effect for at least several years to come. Where in obtaining these increased rates the burden of proof fell on the shoulders of the companies to show that the old rates did not permit them to earn an equitable return on invested capital, the shoe has now been placed on the other foot, and in order to reduce rates the public service commissions and municipalities must assume the burden of proving that the companies are obtaining what is more than a just compensation. Furthermore, costs, both of labor and materials and supplies, are rapidly coming down, which must inevitably reflect increases in net earnings.

A Sound Investment

In view of this strong position of the public utilities, many investors are turning to the securities of these companies for the investment of their funds. As a suggestion to those investors interested in the utilities the accompanying list has been prepared to cover the investment of about $5,000. The list has been prepared with the idea of selecting sound issues in strong companies, and it is designed to meet the requirements of a thoroughly conservative and diversified investment.

It will be noted that the list is divided into three classes of securities. Over 60% of the total sum is to be placed in bonds; about 20% in preferred stocks; and the balance in common stocks. The bonds, which, of course, constitute the backbone of the investment, are all mortgage issues and have been selected primarily from a standpoint of giving the highest average yield possible consistent with complete safety of principal. The preferred stocks have been included for the specific purpose of bringing up the average yield, and the common stocks—well, to add just a little zest to the whole.

The Bond Group

The New York Edison First and Refunding 6½s, which head the list, have been recently issued in amount of $30,000,000. The bonds run for 20 years and are non-redeemable for the first fifteen years, after which they may be called at 105 on any interest date on 60 days' notice. The New York Edison Company and the United Electric Light & Power Company (its principal subsidiary) combined, serve directly the entire Borough of Manhattan and the greater part of the Bronx, city of New York. The territory has a population of 3,000,000, the largest served by any electric light and power company in the world.

The First and Refunding 6½s are specifically secured by pledge with the trustee of $30,000,000 First Mortgage Bonds (entire funded debt) and practically the entire capital stock of the United Electric Light & Power Company, and they also constitute a direct mortgage, subject to underlying bonds of about $38,071,000, on the entire property of the New York Edison. The properties of the New York Edison Company and the United Electric Light & Power Company, exclusive of working capital, represent an investment of over $220,000,000, as against a total outstanding debt of only $68,071,000. A consolidated statement of earnings for the two companies for the year ended September 30, 1921, showed net earnings of $14,642,730 available for total annual interest charges of $3,644,720, including interest on the new 6½s.

Owing to the fairly large outstanding amount of this issue and the fact that the bonds are listed on the New York Stock Exchange they are assured of a ready market at all times. They constitute one of the most desirable public utility investments in the country.

The Brooklyn Union Gas Company serves practically the entire county of Kings, New York, with gas, and through subsidiaries a large part of the Borough of Queens. The First Consolidated Mortgage Bonds are outstanding in amount of $14,698,000 and are a first mortgage on

(*Continued on page* 430.)

$5,000 IN PUBLIC UTILITIES

Amount to Be Purchased	Name of Co.	Security	Maturity	Interest on Dividend Rate	Redeemable	Lowest Denom.	Location of Market	Appr. Price	Appr. Cost	Appr. Yield
Bonds										
$ 500.	N. Y. Edison Co.	1st Lien & Ref. Mtg.	Oct. 1, 1941	6½%	Non-redeemable for 15 yrs., @ 105 thereafter	$ 500	N. Y. Stock Ex.	$106	$ 530	5.95%
1,000.	B'klyn Union Gas Co.	1st Cons. Mtg.	May 1, 1945	5%	....	$1,000	N. Y. Stock Ex.	88	880	6.00%
500.	Southern Cal. Edison Co.	Genl. & Ref. Mtg.	Feb. 1, 1944	6%	105 to Feb. 1, 1942 102 thereafter.	$ 100	Outside	100	500	6.00%
500.	Pacific Gas & Elec Co.	1st & Ref. Mtg. Ser. A	Dec. 1, 1940	7%	110 to Dec. 1, 1930 105 thereafter.	$ 500	Outside	105	525	6.50%
1,000.	B'klyn Union El. R. R. Co.	1st Mortgage	Feb. 1, 1950	5%	....	$1,000	N. Y. Stock Ex.	75	750	7.00%
	Total Bonds								$3,185	
Preferred Stocks										
15 shares	North Amer. Co.	....	....	$3.	....	....	N. Y. Stock Ex.	39	$ 585	7.70%
15 shares	Philadelphia Co.	....	....	$3.	....	....	Philadelphia Ex.	35	525	8.57%
	Total Preferred Stocks								$1,110	
Common Stocks										
5 shares	Detroit Edison Co.	....	....	$8.	....	....	Detroit Ex.	100	$ 500	8.00%
5 shares	Columbia Gas & Elec. Co.	....	....	$6.	....	....	N. Y. Stock Ex.	67	335	8.95%
	Total Common Stock								$ 835	
Total	investment and average yield								$5,150	7.10%

Public Service Corp. of New Jersey

Lean Period Left Behind

Company Slowly Recovering from High Operating Costs and Faces a More Prosperous Period

By JAMES E. HALSTED

THE Public Service Corp. of New Jersey is one of the largest public utility properties in the United States.

The company was incorporated in New Jersey in May, 1903, and controls through stock ownership the Public Service Railway Co., the Public Service Electric Co., and the Public Service Gas Co. Through these companies and through their subsidiaries the Public Service Corp. operates substantially all the electric power and light, gas and street railway business in the larger cities and more populous sections of the State of New Jersey, and serves a steadily increasing population estimated at more than 2,500,000. The territory served includes many important industrial centers, such as Newark, Jersey City, Elizabeth, Bayonne, Trenton, Camden, Paterson and Passaic.

The population of the municipalities served increased from slightly over two million in 1910 to two million six hundred thousand in 1920.

Table 1 shows the increase in the operating revenues of the companies' three lines of business. This increase, which for the periods given resembled a geometrical progression, was partly due to the rate increases granted the different companies.

Unfortunately, the net income available for fixed charges, and the balance after charges available for dividends, did not increase in any such proportion. As a matter of fact the fixed charges were earned with a larger margin of safety in 1912 than in 1920. The balance for dividends in 1912 was nearly as great in 1912 as in 1920, although there was only $25,000,000 of stock outstanding in 1912, as compared with $40,000,000 in 1920.

The answer is that the company is doing business with less profit or at a greater loss than in 1912. This is, of course, true of many public utility companies and some have been forced to pass dividends and default on interest payments.

As has been the general experience, the electric light properties have shown the most satisfactory earnings, and the street and interurban railways have given deficits. For example, in 1920 the Public Service Electric Co. showed on the balance sheet a net income for the year of $3,813,372, and the Public Service Ry. and Public Service R.R. a net deficit for the year of $812,757. The fixed assets of the former company are shown at about $37,000,000, as compared with about $103,000,000 for the last two companies. The Public Service Gas Co. showed a net income for the year of $1,757,523.

Net Income

The net income of the electric light company was larger in 1920 than in 1919 or 1918. That of the gas company was also larger in 1920 than for the two previous years. The railway company in an inverse manner showed a larger deficit in 1920. In 1918 it had shown a very small net profit.

As the fixed assets of the electric company have increased since 1912 at about the same ratio as the number of meters in use and have increased less than the kilowatt hours sold, it appears that the additions were proper and well utilized.

The fixed assets of the gas company have increased since 1912 slightly more rapidly than the amount of gas sold, as measured by m. cu. ft., and a great deal faster than the number of meters in service or the miles of mains in use.

TABLE I.

	Railroad Properties	Electric Properties	Gas Properties
1904 ..	$8,415,278	$3,502,811	$5,378,440
1912 ..	15,262,426	7,582,378	9,809,669
1920 ..	27,990,695	28,660,576	20,908,069

The traffic density of the railway company has increased slightly. There was approximately 5.3 revenue passengers per car mile in 1904, while in 1912 there was 6.4, but in 1920 this had dropped to 6. The revenue passengers per car hour were about 5.6 in 1920, as compared with 5.4 in 1912.

For the three years ended December 31, 1920, the company on the average reconstructed annually, with new or the same rails, some 22 miles of track. This hardly appears to be sufficient for a company with 538 miles of first main track and 300 miles of second main track and turnouts.

Depreciation

This brings up the subject of depreciation. Although it is difficult to prove that reserves for depreciation have not been adequate, it is believed that these reserves have not been sufficient and that the income accounts have been overstated by that amount.

TABLE II.—PUBLIC SERVICE CORPORATION OF N. J.

(000 omitted)

	1912	1918	1919	1920
Oper. Rev.	$32,654	$52,997	$59,136	$72,318
Oper. and Non Oper. Rev.	16,092	16,531	15,855	16,960
Bond int. and Rentals of Sub. Co.	11,289	12,320	12,443	12,324
Net Inc. of Sub. Co.	4,803	4,211	3,412	4,636
Inc. Available for Fixed Charges	4,803	6,108	5,366	6,495
Int. on Fixed Charges	2,749	4,282	4,351	4,276
Bal. for Div.	2,053	2,662	1,013	2,287
Div. on Pfd.	....	....	669	804
Div. on Com.	1,500	1,800	1,350	1,200

The capitalization of the Public Service Corporation of New Jersey was reported to be, upon the completion of recent financing, as follows:

	Outstanding
Capital Stock:	
Preferred Stock, 8% Cumulative...	$12,566,900
Common Stock	30,000,000
Funded Debt:	
Gen. Mtg. S. F. 5% bonds of 1959..	32,911,000
Perpetual 6% Int. Certificates......	10,130,285
20 Yr. Secured 7% Bonds due 1941	10,000,000

$14,000,000 of Gen. Mtg. S. F. 5% Bonds of 1959, not included in the above amount, are pledged under the 7% Secured Bonds.

The earnings of the company for the last three years reported, and for 1912 (to show a pre-war year), have been as indicated in the accompanying table.

Earnings for the twelve months ended October 31, 1921, were reported, but not from official sources, to be considerably better than for any previous period.

Changes in Rates

A rate increase in gas service of 25 cents per 1,000 cu. ft., which went into effect August 1, 1920, would naturally improve the 1921 earnings over those for 1920, because they would be in effect a longer period of time. Furthermore, the company has very likely been able to buy its coal in 1921 for considerably less than it paid in 1920.

It is reported that the New Jersey Public Service Commission has in January of 1922 ordered the abrogation of the 25 per cent war surcharge imposed upon wholesale electric power users of the Public Service Electric Company. However, as to the effect on the earnings of the company, the board was quoted as saying that the company, after eliminating the surcharge next month, will still earn enough money to meet its obligations, pay dividends of 8 per cent and appropriate an ample amount for amortization of fixed capital, as well as a substantial increase.

This company, as well as the gas company, has been greatly benefited by cheaper coal prices.

The Public Service Railway Co. in 1920 operated on a 7-cent fare and 1 cent for transfers. Effective August 5, 1921, it was permitted to charge 2 cents for transfers. On October 12, 1921, a decision was handed down allowing the company to charge an 8-cent fare and 1 cent for transfers. This increase should raise the company's net revenue by a very appreciable amount, and enable it to show a surplus instead of a deficit. However, it is not expected that it will give more than the company should be expected to receive, based on its valuation of $125,000,000, for reproduction as of January 1, 1921.

The company is attempting to secure a 10-cent fare, and the State of New Jersey is trying to get the 8-cent fare set aside. In view of the experience of companies in

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Intimate Talks With Readers

On Selling Short—Opportunities in Preferred Stocks—The Status of Brokerage Houses—Real Estate Mortgages

"SELLING short" is in the last analysis a speculative operation, and purely as such it should not generally be undertaken by the unsophisticated investor—or by the investor who believes he is something of a trader.

When the average man undertakes to sell short, he does it for a number of unsound reasons. Either they are "too high," or "the rise has gone far enough" or he does it "for a turn," or being originally a bull, he becomes a "sold out bull" (the latter means: a "bull" who has taken his profits too soon). The latter is a bad offender; he is inclined to sell short out of resentment, and as a general rule only covers when he is compelled to do so by the state of his margin account. Other unsound reasons are just as numerous, but the majority of such reasons are sufficient to stamp the operation with the plain seal of speculation, and cause the practice to be derided, and the operators to be cordially detested by the real investor.

"The chronic bear" is another animal of the species, whose side of the fence is often as not with the raiders. We have seen their savage assaults on the market in the past year, and know the anguish they have caused. Such short selling can be called "speculative" out of courtesy only. We could give it a harsher name.

With these unfavorable features of short selling eliminated, we believe the real investor can—for investment purposes—"sell short," either technically or actually, and benefit his entire plan of gaining, saving, and investing. Note that the process is a cycle, since investing is often more gain (income) and further reinvestment.

SOMETHING TO CONSIDER

If the investor entirely ignores the short side, or the fact that the market goes down as often as it goes up, he will have to stay inactive for a year, two years, and even more at a time. Life is short, and a few years of inactivity a great loss.

Selling stocks, commodities, etc., short is merely selling in advance, or in anticipation of lower prices prevailing for said stocks, etc., when the time comes to deliver them. The building contractor, for example, gives you an estimate for your house or factory based upon the cost plus profit he hopes he *will* secure everything that *will* eventually go into the structure, *that will be delivered to you in the future.* He makes his price $10,000 to $100,000 and agrees to deliver it for that, notwithstanding that he hasn't a single brick, joist, or girder on hand. He hopes to "cover" his requirements below the cost sold.

Note this usual business expression: "I have enough to cover my requirements." Have you ever considered its significance in relation to short selling. Here the word "cover" has no taint of speculation, yet when many perfectly legitimate business transactions are analyzed, it is surprising how close they come to plain "short selling," and most decidedly of a speculative character.

"FUTURES" AS SHORT-SALES

If the farmer plants his acres, he speculates that his side-partner—Dame Nature—will provide her share of the H O, phosphates, nitrates, heat and kindness to his crops. He stakes his broad acres, his seeds and his sinews against the possibility of the side partner "coming across" (excuse the slang). If the farmer sells in advance, whether it be cotton, wheat, corn or oats—he is actually "selling short" if not actually gambling on the possibilities. A deal in "futures" is nothing but short selling, but the wise farmer with an assured crop ripening or on hand has much to gain by selling short through the medium of futures.

Whether or not an investor should sell short, and if so whether the transaction is speculative, depends very largely on the transaction itself.

It is claimed that large investors in Corn Products, St. Paul, American Linseed and other stocks have held their stocks intact in their strong boxes, and were yet short of them at the same time. They sold part, it is claimed (the writer has no proof but the probability is strong) on the big advances, without attempting to deliver the certificates out of their vaults. Such stock was borrowed on the open market, the borrowed stock delivered at high prices, and stock repurchased later in the open market to return to the lenders—at very much lower prices. The original investments, therefore, remained untouched, and could reasonably be intact even at this time. But, it has been possible to secure a succession of large profits that have marked down the "investment line" to very low figures or far less than nothing!

The advantages to the market itself are too obvious to need extended discussion. The panics on the Tokio Stock Exchange and Vienna Bourse last year were due to the absence of "shorts" who might have been large buyers on the declines. The terrific advances of hundreds of points in German industrials on the Berlin Bourse would have been impossible with short-sellers on hand. The spectacular decline of 1,000 points in a single security in one day on the same exchange a few days ago would have been impossible with shorts on hand to stabilize the offerings on the decline. The Leiter corner will be remembered principally for the fact that when the banks threw over this operator's holdings in the Chicago "pit" amounting to about 80,000,000 bushels in a single day, the whole lot was taken by "shorts" without disturbing the market, nor even the price. Without shorts, the "pit" would have seen the worst panic in its history.

We have long since recognized the adage—there are two sides to the market. You do not have to be a chronic bull nor a chronic bear to make money. Both make their share at times. The only kind that is out of it—is the chronic hog. We have advocated safe and sane short selling at times with strict regard for its investment value, and as a means of marking down investments. Whether you sell the one or the other short makes no real difference to the transaction—a market order is quite impartial. If you make 10 points on the short side, and you hold Union Pacific at 120, figure that "Union" has been reduced to 110—and you will make more out of your investment in Union Pacific or any other investment by crediting that investment with the profit on a short trade undertaken for insurance, profit or investment. Your mental attitude toward the trade, and the way you use the profit, almost decides its character.

PREFERRED STOCKS

The recent decisive action in the bond market was gratifying to us because we believe the majority of our readers held bonds at much lower levels. We are unqualifiedly bullish on bonds from the beginning of 1921, and our more "seasoned" readers had their opportunity. New readers will ask: "What next?"

The order in which a broad swing takes place in investment issues is a natural sequence of events. Gilt-edge bonds rise first through the purchase of rich people and institutions compelled to "keep moving," investment-wise. They *have to* place their money out at interest, and at the end of a bear

market usually play safe. That is one great reason why Liberties and Victories had their great rise. Next in order came the gilt-edge, "legals-for-savings banks," and strong underlying issues. Next came (or rather, are coming along in good shape) the middle-grade, strong to medium bonds. When all the latter are no longer very attractive from the income viewpoint, we should see a very substantial further rise in the speculative investment bonds, the income and adjustment type (the Hudson Manhattan 5s pointed the way), and bonds whose status is little better than the preferred stocks that follow them, if any.

Preferred stocks have not had a big rise as yet, and their yield on the average is far out of line with bonds. The reason for this is: the bulk of investment money, institutional funds, trust funds, savings bank investment, national bank funds, corporation surpluses and the like go into bonds first. The public in general does not start a move; it comes in when the move is well under way, and goes on with it long after the original interests are "through." A bond is a general type of investment suitable for every person and every type of institution, and the bond list—in a healthy investment market—must first be exhausted of bargains before the general securities list commences to receive the earnest attention of big money.

We aim to put our readers "one jump ahead," so to speak. We believe they will now find their big opportunity in preferred stocks which have hardly commenced to move. By "preferred stocks" we do not mean securities that have that name by courtesy, but the investment issues that are seasoned, maintained their dividends throughout 1920 and 1921, and paying such dividends at this writing. The preferred stock that has come through such a test will, or should sell no higher than a 5% to 6% basis within a year.

Subject to the qualification above, and with due regard for their speculative investment character we commend to our readers' attention the following preferred stocks, as having interesting possibilities, namely: Marine preferred, International Agricultural preferred, American Hide and Leather preferred, American Writing Paper preferred.

A NEW PROBLEM

The failure several weeks ago of a reputedly strong and prominent house creates an entirely new problem for the nervous investor. Indeed, the average conservative business man need not be accused of "nerves" when the incident reminds him in a painfully vivid manner that which we emphasized in this magazine only recently, namely, that he should try to limit his market operations to one chance:—the movement of his security; not the solvency of his broker.

Truly, this disgraceful incident, which cannot be dignified by milder terms, not only hurts its victims—the unfortunate customers of the house—but places the investment world at large 'twixt the devil and the deep sea. If Caesar's wife be not above suspicion, where shall we find purity?

Fortunately, the institution we call "Wall Street" is as sound as the bedrock on which it stands. The shock of the Wagner failure also serves to remind us that the tremor is not even felt by the hundreds of solid houses that remain. This new failure by a comparatively young but large house might impede the progress of the newer houses who are striving for recognition on a basis of good faith. They will now have to overcome a new dose of suspicion and fear on the part of the new—and even the old—customer. It creates a new problem, particularly for the out-of-town customer far removed from the best facilities for picking and choosing the most reliable broker.

AN ULTRA-CONSERVATIVE WAY

The distant investor, not thoroughly familiar with the financial status of his brokerage house, and not satisfied with the formula "membership on the N. Y. Stock Exchange, in good standing, and therefore reliable" need not cease or restrict his relationship with "the Street," or stop investing because a big newer house fails. There are plenty of others who can readily prove their worth and reliability, and who do not ask to be accepted merely on faith, or on the strength of their reputed "bigness" alone. If this fails to satisfy, there remains an ultra conservative way of going about it although we rather hesitate to advocate too generally the method herewith—which has many limitations.

Any bank or trust company will buy or sell stocks and bonds for its customers. All such institutions have their regular brokerage connections; they are heavy buyers and sellers of bonds for their own account; they *know* the caliber of their brokers. Surpassing this advantage, however, *banks and trust companies do not usually part with money before receiving their securities.* They buy C. O. D. That is what you or I cannot do in Wall Street very easily; without a preliminary 20% deposit.

The banks do not carry your stocks on margin in the sense ordinarily understood. You can establish a credit with your bank, however, and borrow substantially on good securities. Buying and selling through a bank is also an excellent safeguard against the tendency toward risky speculations, because the knowledge that your bank considers your security "too risky" to place in a loan, may warn you to stay out.

REAL ESTATE MORTGAGE SITUATION

We believe and hope that every reader of this magazine owns his own home, or intends owning it. It is better to own a mortgaged home rather than none at all. Our correspondence reveals that a substantial percentage of our readers are vitally interested in real estate mortgages both as borrowers and owners of mortgages. This important branch of essential investment has not received the attention it deserves. The situation today deserves serious study, and the thought that the prevailing rate of interest—from 5½% to 6%—seems out of line with the trend of money conditions, suggests *action* and *opportunity* of a money-making and money-saving kind.

The real estate market is a laggard. In the East at least it has been picking up slowly since 1918. Its trend has been up, with a sympathetic reaction some months ago from which it seems to have fully recovered. We look for an era of great activity in 1922 and for some years to come thereafter. Money should be more plentiful for the purpose from now on; which, translated into Wall Street terms means "easier money" and falling rates of interest. Speaking in a general way, real estate first mortgages—providing other conditions as to locality and equity are right—are going to prove remunerative investments at present rates of interest. Conversely, the borrower should now hesitate to tie himself down to long term 6% first mortgages. He should not fear an early maturity, and hesitate before renewing at present rates for a longer period than three to five years. Even second mortgage money should not be procured at too large a rate if the owner's stake in the property is very substantial, first mortgage small, and consequently the second mortgage well secured to the lender.

The rise in bond market is a warning to the mortgage borrower and investor that a new order of things is imminent. The cycle of downward values and high interest rates was apparently ended—according to our observation, experience, and investigation around the middle of 1918. The real estate money rate has been slow to readjust itself and our readers should so arrange their affairs as to take advantage of the change, and as explained, be in a position to make or save money by being forewarned of these conditions.

An attractive method of saving to great advantage, and thereby also making a sound interest-bearing investment, is to pay off your high-interest mortgages—if allowed to do so by the terms thereof. If you pay off $1,000 of a 6% mortgage, this is the equivalent of buying a $1,000 gilt-edge bond yielding 6%. If you save 6% on $1,000, you are making $60 annually. The gilt-edge security is your home and yourself. You probably could not find a better investment. The more you pay off, the better your chance to renew, or to find a lender at 5% later on for the lesser amount and greater security.

DIVERSIFY YOUR HOLDINGS

There is nothing like variety in life and this can apply to many phases of it. Certainly in matters relating to investment, there is greater security in diversifying one's holdings than in concentrating on one or two issues. A $10,000 investment in ten good issues is a better business undertaking than $10,000 invested in one good investment. The reason is obvious.

From a speculative viewpoint, also, diversification pays and pays well. It reduces the risk and thereby increases the value of the original investment. A single good issue might, after a time, turn out a disastrous commitment, but if the commitment were made in ten different issues, it is possible that several would turn out badly but not likely that all would turn out badly.

New York Stock Exchange

	Pre-war Period 1909-13		War Period 1914-18		Post-War Period 1919-20		†Complete Year 1921		Last Sale Jan. 12 1922	Div'd $ per Share
RAILS:	High	Low	High	Low	High	Low	High	Low		
Atchison	125⅜	90¼	111¼	75	104	76	94	76¼	94½	6
Do. Pfd.	106¾	96	102⅛	75	89	72	88	75⅛	‡86	5
Atlantic Coast Line	148½	102½	126	79⅞	107	82	91	77	84½	7
Baltimore & Ohio	122¼	90⅝	96	88¼	55¼	27⅝	42⅜	30⅜	34⅜	..
Do. Pfd.	96	77¼	80	48¼	59½	38½	56⅜	47	53¼	4
Canadian Pacific	283	165	220⅛	126	170⅞	109⅜	123⅞	101	121	10
Chesapeake & Ohio	92	51⅛	71	35⅝	70⅜	47	65½	46	55⅝	4
Chicago Great Western	36⅞	1¼	17½	6	14½	6⅝	9⅛	6⅛	6	..
Do. Pfd.	64⅛	28	47½	17½	33⅜	15¼	20⅞	14	15	..
C. M. & St. Paul	165⅛	96¾	107⅛	35	52¾	21	31	17¼	17⅛	..
Do. Pfd.	181	130½	143	62½	76	36¾	46½	29½	30⅜	..
Chicago & Northwestern	198½	123	136⅞	85	105	60	71	68⅛	62¼	5
Chicago R. I. & Pacific	..	..	45¾	16	41	21½	35	22⅝	31½	..
Do. 7% Pfd.	..	..	94¾	44	84⅜	64	89¾	68¾	84⅜	7
Do. 6% Pfd.	..	..	80	35¾	73	54	77	56⅛	71⅜	6
Cleveland C. C. & St. L.	82¼	34⅞	62⅝	21	61	31⅜	57½	32	55⅛	..
Delaware & Hudson	200	147½	159⅛	87	116	83¼	110½	90	109	9
Delaware Lack. & W.	340	192½	242	160	260½	165	249	98	114	8
Erie	61¼	33⅛	59⅛	18⅜	21⅜	9⅛	15¼	10	9	..
Do. 1st Pfd.	49¾	26¼	54¾	15⅛	33	16¼	22¾	15	13⅞	..
Do. 2nd Pfd.	39⅛	19⅛	45⅝	13⅛	23¾	12	15⅞	10	9	..
Great Northern Pfd.	157⅞	115⅛	134¾	79¼	100⅝	65¾	79¼	60	73	7
Illinois Central	162⅛	102¾	115	85¾	104	80⅞	100½	85½	98½	7
Kansas City Southern	50¼	21⅜	35⅛	13½	27¼	13	28⅞	18½	22⅜	..
Do. Pfd.	75½	56	65½	40	57	40	55	45⅛	‡52	4
Lehigh Valley	121¼	62½	87⅛	50⅜	60⅜	39¾	60¾	47½	59¾	3½
Louisville & Nashville	170	121	141⅞	103	122¾	94	118	97	‡108½	7
Minn. & St. Louis	*65	*12	36	6⅞	24½	8⅛	14⅜	5⅛	5⅜	..
Mo. Kansas & Texas	51⅛	17⅛	24	3⅛	16⅝	2¼	3⅛	⅜	⅞	..
Do. Pfd.	78¼	46	60	6⅛	25¼	3⅜	5¾	2	‡1¾	..
Mo. Pacific	*77⅛	*21⅛	38⅛	19⅞	38⅞	11⅛	23¼	16	17⅛	..
Do. Pfd.	..	..	64⅞	37⅛	58¾	33⅜	49⅛	33⅛	45	..
N. Y. Central	147¾	90⅜	114¼	62½	84¼	64¼	76	64⅛	74	5
N. Y. Chicago & St. Louis	109¾	90	90¾	55	65	23¾	61⅜	39	‡51⅜	5
N. Y. N. H. & Hartford	174¾	65⅝	89	21⅛	40⅞	15⅛	23½	12	13⅜	..
N. Y. Ont. & W.	55⅝	25⅛	35	17	27⅜	16	23¼	16	20¼	2
Norfolk & Western	119¼	84¼	147⅛	92⅝	112½	84¼	104⅞	88⅝	97¼	7
Northern Pacific	159½	101¾	118⅞	75	99⅞	66¾	88	61¼	75½	7
Pennsylvania	75⅝	58	61½	40¼	48½	37⅞	41⅜	32¼	33⅝	2
Pere Marquette	*36½	*15	38⅛	9½	33⅛	12⅛	23⅞	15¾	19⅝	..
Pitts. & W. Va.	..	..	40⅜	17¾	44¾	21⅛	32	23	24⅛	..
Reading	89⅝	59	115⅛	60⅛	103	64⅜	89¼	60⅜	74½	4
Do. 1st Pfd.	46¾	41¼	46	34	61	32⅞	55	36½	47¼	2
Do. 2nd Pfd.	58¾	42	52	33¾	65⅛	33¼	57⅜	38⅛	49⅛	2
St. Louis-San Francisco	*74	*13	50⅛	21	38⅞	10⅜	25⅜	19⅛	21½	..
St. Louis Southwestern	40⅜	18⅛	32½	11	40	10⅞	30⅛	19⅛	21	..
Do. Pfd.	82⅜	47⅛	65⅛	28	49⅜	20⅛	41	28	34	..
Southern Pacific	139⅛	83	110	75¾	118⅛	88	101	67½	79¾	6
Southern Ry	34	18	36⅜	12⅛	33¼	18	24⅝	17⅜	18	..
Do. Pfd.	86⅞	43	85¼	42	72½	50	60	42	48¼	..
Texas Pacific	40⅛	10⅛	29½	6⅛	70⅛	14	27⅜	16⅛	25⅞	..
Union Pacific	219	137¾	164⅜	101¼	138½	110	131⅞	111	127⅛	10
Do. Pfd.	118½	79⅜	86	69	74⅜	61⅛	74½	62¼	‡72	4
Wabash	*27⅞	*2	17⅛	7	13⅜	7	9	6⅜	6⅝	..
Do. Pfd. A	*61¾	*6⅛	60½	30⅞	38	17	24⅛	18	20⅛	..
Do. Pfd. B.	..	..	32⅞	18	25½	12⅛	15⅞	12⅝	‡13	..
Western Maryland	*56	*40	23	9¼	15⅝	8⅝	11⅛	8⅜	‡8½	..
Western Pacific	..	..	25⅛	11	40	17	30⅞	15	15⅛	..
Do. Pfd.	..	..	64	35	78	52⅛	70⅛	51½	‡51½	6
Wheeling & Lake Erie	*12⅞	*2½	27⅜	8	18¼	7¾	11⅛	6⅛	6⅜	..

INDUSTRIALS:	High	Low	High	Low	High	Low	High	Low		
Allied Chem	..	..	..	..	62⅜	43¼	59¼	34	57⅞	4
Do. Pfd.	..	..	..	..	99½	84⅞	103¾	83	104⅞	7
Allis Chalmers	10	7⅝	49⅛	6	53⅞	26⅛	39¾	28¼	39	4
Do. Pfd.	43	40	92	32½	97	67¼	[illegible]	67½	89⅞	7
Am. Agr. Chem.	63⅝	33⅛	106	47¾	113¾	51	65⅛	26⅛	30⅝	..
Do. Pfd.	105	90	103⅛	89⅛	103	79	80	51	57¼	..
Am. Beet Sugar	77	19¾	108½	19	103¾	32¾	51	24½	34⅜	..
Am. Bosch Mag.	..	..	..	..	143⅞	45⅛	65½	29⅛	35	..
Am. Can.	47⅜	6⅞	68⅛	19¼	68⅝	21⅜	35½	23½	33¼	..
Do. Pfd.	129½	62	115⅜	80	107⅝	72⅜	97	76	‡95	7
Am. Car & Fdy	76⅛	36½	98	40	148⅜	84⅛	151¼	115¼	‡143	12
Do. Pfd.	124⅜	107½	119⅛	100	119	105⅜	116½	108	‡116½	7
Am. Cotton Oil	79¼	33½	64	21	67½	15⅛	24¾	15⅞	21	..
Do. Pfd.	107½	91	102¼	78	93	59½	67	35½	42¼	..
Am. Drug Syn.	..	..	..	..	15⅛	6⅝	8⅜	4	4½	..
Am. Hide & L.	10	3	22⅛	2½	43⅛	5	16	8	12	..
Do. Pfd.	51⅞	15⅛	94⅞	10	142⅝	35	62⅝	40½	‡58½	..
Am. Ice.	..	..	49	8⅞	76½	37	83½	42	78	6
Am. International	..	..	62⅜	12	132¼	30⅛	53⅜	21¼	39¼	..
Am. Linseed	20	6⅞	47⅜	20	95	42	62½	17¼	‡30¼	..
Am. Loco.	74⅜	19	98¼	46⅝	117½	58	110¼	73⅛	104⅛	6
Do. Pfd.	122	75	109	93	109¾	96½	115	98⅛	112	7
Am. Safety Razor	..	..	..	..	22	6⅛	10	3⅛	‡4¼	..
Am. Ship & Com.	..	..	..	..	47½	7⅝	14	4¾	7⅛	..
Am. Smelt. & Ref.	105½	56⅝	123¾	50⅛	89¾	29¼	47⅛	29⅝	44⅛	..
Do. Pfd.	116¾	98¼	118⅛	97	109⅝	64⅛	90	63⅛	‡87	7
Am. Steel Fdys.	74½	24⅛	95	44	50	26	35	18	32⅛	3
Do. Pfd.	..	..	..	..	96½	79½	95¼	78	‡94	7
Am. Sugar	136⅝	99⅞	126⅝	89⅛	148⅜	82½	96	47⅝	58½	..
Do. Pfd.	133½	110	123¼	106	119	97⅞	107¼	67½	88¼	7
Am. Sumatra Tob.	..	..	145¾	15	120⅛	65	88	28½	33⅞	..
Do. Pfd.	..	..	103	75	105	79	91	64¾	‡70	7
Am. Tel. & Tel.	153⅜	101	134⅛	90⅝	108⅝	92¼	119⅛	95⅜	116⅝	9
Am. Tobacco.	*530	200	256	123	314⅛	104⅛	136¾	111⅛	132	12
Do. B.	..	..	..	..	210	100⅛	131⅛	110	127½	12
Am. Woolen	40⅝	15	60⅞	12	169⅛	55⅛	83½	57	80½	7
Do. Pfd.	107¾	74	102	72½	110¾	88½	104⅛	93	‡103¾	7
Anaconda	54⅜	27⅛	105⅜	24¼	77⅞	30	50¾	31¾	48¾	..
At. Gulf & W. I.	18	5	147¾	4⅛	192⅝	71½	76	18	28¾	..
Do. Pfd.	32	10	73⅜	9⅞	76½	42	44½	15¾	‡21	..
Baldwin Loco.	60⅜	36⅛	154½	26⅝	156¼	64⅞	[illegible]	[illegible]	[illegible]	7
Do. Pfd.	107⅛	100¼	114	90	111⅞	92	105	95	104	7
Bethle. Steel B.	*51⅝	*18¾	155⅛	59⅜	112	48⅞	[illegible]	41½	56⅝	5
Do. 7% Pfd.	80	47	186	68	108	90	93¼	87	‡89⅞	7
Do. 8% Pfd.	..	..	110⅛	92⅛	116	99¼	107½	[illegible]	‡104½	8
Calif. Packing	..	..	50	30	87½	48⅛	74	53⅝	68¼	6
Calif. Petro.	72½	16	42⅝	8	56⅞	15¾	50⅝	25	45⅛	..

Active Stocks' Price Range

	Pre-war Period 1909-13 High	Pre-war Period 1909-13 Low	War Period 1914-18 High	War Period 1914-18 Low	Post-War Period 1919-20 High	Post-War Period 1919-20 Low	†Complete Year 1921 High	†Complete Year 1921 Low	Last Sale Jan. 12 1922	Div'd $ per Share
INDUSTRIALS—Continued:										
Calif. Petro. Pfd.	95½	45	81	29⅛	86⅝	63	88	68½	‡82½	7
Central Leather	51⅞	16½	123	25⅞	116½	30½	43¼	22½	30¼	..
Do. Pfd.	111	80	117½	94⅞	114	80¼	96	57½	64	..
Cerro de Pasco	..	..	55	25	67½	24½	36½	23	‡34¼	..
Chandler Mot.	..	..	109⅞	56	141½	59⅝	86	38⅛	50	6
Chile Copper	..	..	39¼	11¼	29¼	7¼	16⅞	9	16¼	..
Chino Copper	50⅝	6	74	31⅜	50⅞	16⅜	29½	19½	27⅝	..
Coca Cola	..	..	..	..	43⅝	18	43½	19	43¼	4
Colum. Gas & E.	..	..	54⅛	14¼	69	39¼	67⅝	52	66⅛	6
Columbia Graph.	..	..	*166	*97	75¼	9	12¾	2⅝	2	..
Consol. Cig	..	..	..	..	80	51⅛	59¼	13½	‡26⅛	..
Consol. Gas	165¼	114½	150⅛	112⅛	106⅞	71⅞	95	77½	91⅜	7
Corn Prod.	26⅛	7⅝	50⅛	7	105¼	46	90¼	59	98¼	6
Do. Pfd.	93½	61	113⅛	58⅛	109⅞	97	112	96	‡111⅛	7
Crucible Steel	19⅝	6⅛	109⅞	12¼	278⅛	52½	107½	49	62	4
Cuba Cane Sugar	..	..	76⅝	24⅞	59⅝	16½	26	5⅝	8½	..
Cuban Am. Sugar	*58	*33	*273	*38	*605	21½	33½	10⅞	16⅛	..
Fisk Rubber	..	..	..	..	55	10	13⅜	8⅜	12⅛	..
Freeport Tex.	..	..	70⅛	25⅝	64⅝	12⅛	20½	9⅛	‡12	..
Gen's Asphalt	42⅞	15⅛	38⅝	14¼	160	32½	78⅜	39½	57	..
Gen'l Electric	188½	129⅜	187¼	118	176	116⅛	143¾	109½	139⅛	8
Gen'l Motors	*51⅜	*25	*850	*74½	42	12⅜	16⅛	9⅜	9	..
Do. 6% Pfd.	..	..	99⅛	72⅜	95	64½	75	63	‡72½	6
Do. 6% Deb.	..	..	..	..	94⅜	58⅝	73½	60	73	6
Do. 7% Deb.	..	..	..	..	94	69	85	69	84	7
Goodrich	86½	15½	80¼	19⅝	93⅝	27	44⅛	26⅝	‡35	..
Do. Pfd.	109¾	73⅜	116⅜	79⅞	109½	70	86	62½	83	7
Gt. Nor. Ore.	88½	25½	50⅜	22½	52⅜	24⅞	35⅜	25⅝	31⅜	4
Haskell-Barker	..	..	54½	27½	78⅛	40	82	50½	80⅜	4
Houston Oil	25½	8¼	86	10	116⅛	55¼	86	40½	73⅜	..
Hupp Motors	..	..	11⅜	2⅛	23¼	4⅝	16⅜	10½	12⅛	1
Inspiration	21⅝	13⅞	74⅜	14¼	68⅝	28	42¼	29⅝	39⅝	..
Inter. Mer. Mar	9	2½	50⅞	⅝	67¾	10¼	17¼	7⅛	14¼	..
Do. Pfd.	27⅞	12½	125⅝	3	128⅛	44	67⅜	36	66⅜	6
Inter. Nickel	*227¼	*135	57½	24½	33⅝	11⅛	17	11½	11⅜	..
Inter. Paper	19⅜	6½	75⅛	9½	91⅜	30¼	73⅜	38⅝	47½	..
Invincible Oil	..	..	..	..	47⅛	19	26	5½	15⅛	..
Island Oil	..	..	..	..	7⅛	4	4⅜	2	2⅝	..
Kelly Springfield	..	..	85¼	36⅞	164	25½	54⅞	32½	36	..
Do. Pfd.	..	..	101	72	110¼	75	94	70⅛	92	8
Kennecott	..	..	64¼	25	43	14⅝	27⅞	16	26⅛	..
Keystone Tire	..	..	46½	11	126¾	13⅛	17⅞	8¼	17¼	..
Lackawanna Steel	55½	28	107	26½	107⅜	45	58½	32	45½	..
Loews, Inc.	..	..	..	..	38⅝	14⅛	21½	10	13	..
Loft, Inc.	..	..	..	..	28	9⅝	12⅜	7⅝	9¼	1
Mexican Pet.	90¼	41⅜	129⅝	46½	264	148	167¼	84½	109	12
Miami Copper	30¼	12⅜	49⅝	16½	32⅜	14½	28	15⅜	27	2
Middle States Oil	..	..	..	..	71⅜	10¼	16⅛	10	12	1.20
Midvale Steel	..	..	98½	30¼	62¼	28⅝	33½	22	29¼	..
Nat'l Lead	94	42½	74⅝	44	94½	68½	87	67⅜	85	6
Nevada Copper	30	13	34¼	10¼	21⅞	8	15⅝	9	14⅝	..
N. Y. Air Brake	98	45	186	55⅞	145⅜	66	89	47½	‡57	..
N. Y. Dock	40¼	8	27	9¼	70⅝	16¼	39	20⅝	‡31	2½
North American	*87⅝	*60	*81	*38⅞	*67	*67	46	32¼	48⅛	3
Do. Pfd.	..	..	..	..	..	..	41½	31⅞	39	3
Pacific Oil	..	..	..	..	41⅝	35	50⅝	27½	45¾	3
Pan Amer. Pet.	..	..	70⅜	35	140¼	67	79⅝	38⅛	50⅛	6
Do. B	..	..	..	..	111⅜	64⅛	71⅜	34⅛	44⅜	6
Philadelphia Co.	59¼	37	46⅝	21⅛	48	30	35½	26½	34	3
Phillips Pet.	..	..	..	..	44½	20⅝	34¼	16	29½	2
Pierce Arrow	..	..	65	25	99	15	42¼	9¼	14	..
Do. Pfd.	..	..	109	88	111	59	88	21	‡30	..
Pittsburgh Coal	*29⅝	*10	58¾	37½	74⅝	45	66	52	63	5
Pressed Steel Car	56	18½	88¼	17¼	113⅜	59	96	48	63	..
Do. Pfd.	112	88½	109¼	69	106	99¼	104	83	‡91	7
Punta Aleg. Sug	..	..	51	29	120	40	51½	24¾	33½	..
Pure Oil	..	..	142⅞	31⅞	61⅞	29⅞	40⅝	21½	35¼	2
Ry. Steel Spg.	54½	22¼	78½	19	107½	68½	99½	67	96	8
Do. Pfd.	111⅜	90¼	105½	75	112	92½	100	98	‡108	7
Ray Cons. Cop.	27⅛	7⅛	37	15	27⅛	10	16	11	14½	..
Replogle Steel	..	..	..	..	93½	30	39½	18	27	..
Republic I. & S.	49½	15⅜	96	18	145	55¼	73¼	41½	51⅝	..
Do. Pfd.	111¼	64½	112⅝	72	106¾	84	96¼	75¼	‡83	7
Republic Motors	..	..	77	31	74½	16¼	24½	5	‡7¼	..
Royal Dutch N. Y.	..	..	86	56	123⅜	49½	69⅞	40½	51½	5.20
Shell T. & T.	..	..	..	..	90¼	33⅛	49	30⅞	38	.74
Sinclair Con. Oil	..	..	67⅛	25¼	64⅛	20	28⅝	16⅛	20⅛	..
Sloss Shef. Steel	94⅝	23	93¼	19½	89	43	56	32½	‡36½	..
Stand. Oil N. J.	*448	*322	*800	*355	212	142½	192¼	124½	175	5
Do. Pfd.	..	..	..	..	113⅜	100⅛	114½	105½	114⅝	7
Stromberg Carb.	..	..	45¼	21	118¼	22½	46	25¼	38¼	..
Studebaker	49½	15⅜	195	20	151	37⅜	93¼	42⅜	81½	7
Do. Pfd.	98½	64½	119⅛	70	104⅛	76	103¾	83	‡100	7
Superior Steel	..	..	96	30¼	60	32	48	26	‡26⅛	..
Tenn. Cop. & Chem.	..	..	21	11	17⅛	6⅛	11	6⅝	10	..
Texas Co.	144	74½	243	112	57⅜	40	48	29	44⅞	3
Tex. Pac. Coal & O.	..	..	..	..	195	22	36⅞	15⅜	24¼	1
Tobacco Prod.	145	100	82⅝	35	115	46	72	45	63⅜	6
Transc'al O.	..	..	..	..	62⅝	5⅝	13	6	10¼	..
United Fruit	208½	126⅛	173	105	224⅝	157	207	95⅜	123¼	8
Un. Retail Stores	..	..	..	..	119¼	45¼	62¼	46⅞	52⅝	6
U. S. Food Prod.	41⅝	9⅜	64⅜	5½	91⅜	15	27¼	8½	7½	..
U. S. Ind. Alco.	57¼	24	171½	15	167	56½	74½	35¼	39⅞	..
U. S. Rubber	69½	27	80½	44	143¾	53	79¾	40½	52½	..
Do. Pfd.	123½	98	115¼	91	119½	95½	103⅞	74	99¾	8
U. S. Smelt. & R.	59	30⅜	81⅛	20	78¼	29½	39⅜	26	44	..
U. S. Steel	94⅞	41¼	136⅝	38	115⅛	76¼	86½	70¼	83⅛	5
Do. Pfd.	131	102½	123	102	117½	104⅛	115	105	116⅛	7
Utah Copper	67½	38	130	48½	97½	44½	66⅜	41½	63	2
Vanadium	..	..	..	..	97	28⅛	41	25½	30½	..
Va.-Caro. Ch.	70⅜	22	60¼	15	92½	24⅜	42½	20¾	‡27¾	..
Do. Pfd.	129¼	93	114½	80	115⅞	88⅜	102¾	57¾	70	..
Western Union	86¼	56	105¼	58⅜	92½	80⅛	94	76	‡91½	7
Westinghouse Mfg.	45	24¾	74⅞	32	59⅞	40	52½	38⅞	50	4
White Motors	..	..	60	30	86	30½	44	29¼	37	4
Willys Overl'd	*75	*50	*325	15	40¼	5⅛	10⅛	4⅝	5½	..
Wilson & Co.	..	..	84¼	42	104⅞	34⅞	47	27½	29½	..
Woolworth	177⅞	76½	151	81½	136⅝	100	139¾	105	138	8

*Old stock. ‡Bid price given where no sales made. †Commencing next issue, 1921 range will be included in Post-War Period.

ANSWERS TO INQUIRIES

(Continued from page 402)

year $10,000,000 ten-year 8% notes were sold.

All things considered, we have not been over-enthusiastic about this stock and have generally advised against purchasing, except on reaction. A good many people feel, people that are well informed, that the tire industry is a little overcrowded at the present time and conditions in the tire trade is the important question to consider, but there is no doubt whatever but that Kelly-Springfield can hold its own with the best of them.

AN INVESTMENT SWITCH

A Reasonable Venture

Years ago I bought a few shares of American Locomotive preferred in the late 90s. Now, however, in view of the high price of the stock, I had thought of selling and investing the proceeds into an equal number of shares of Pressed Steel Car preferred and with the surplus buy General Motors 7% debenture stock. I want to know if you approve of the idea.—L. F. E., Massies Mill, Va

Pressed Steel Car preferred stock issue totals $12,500,000. As of December 31, 1920, the working capital of the company alone was $8,229,000. For the past 10 years earnings have averaged 17.31% on the preferred stock per annum. In view of the large assets behind the preferred and the large earning power, it would appear to us that this stock is very well secured.

General Motors 7% debentures are followed by over 20,000,000 shares of common stock and there is no funded debt. This security appears to be rather strongly intrenched and we believe it has good possibilities.

In switching from American Locomotive preferred into these two stocks you are not getting securities of quite as high a grade, but we believe them to have good possibilities and are inclined to the opinion that a switch would prove profitable.

INVESTMENT FOR A YOUNG MAN

Preferred Stocks Desirable

I am 27 years of age, unmarried, have no dependents and enjoy good health. I had one year in high school and three years in an agricultural school. At present I am employed in a steady position on a small village farm owned by a wealthy woman. My wages are $75 a month with board and room and I save $50 a month. My savings up to date total $500, also one share of Northern Pacific, and one share of Atchison preferred. When I am 30 I intend to get married and either buy or rent a small farm, so will need all my capital at that time.

During past two years I have studied intensely the MAGAZINE OF WALL STREET *and such other literature I could get. Would you consider it advisable and not too risky to buy one share each of such stocks as International Motor Truck 1st preferred, American Sugar preferred, Atchison common, Union Bag & Paper, Famous Players preferred, Bethlehem Steel B, or would you buy only preferred stocks?—L. E. G., Guilford, Conn.*

As we judge from your letter that you desire to make your investment conservative, we would avoid common stocks and limit purchases to good preferred issues and bonds. If you prefer to purchase preferred stocks, there is an excellent list to choose from that can be regarded as reasonably safe. Of course, some common stocks are in very strong position and they are almost as secure as preferred stocks and you might make an exception in the case of Atchison common and purchase one share of that. The outlook for American Sugar preferred is a little uncertain and we would suggest instead California Petroleum 7% preferred selling at a little lower price. International Motor Truck 1st preferred is a little speculative, but we believe it to have very good possibilities.

Famous Players preferred, Bethlehem Steel preferred, Allis-Chalmers preferred and Goodrich preferred we also regard favorably.

COCA-COLA COMPANY

Attractive for Speculation

I should be glad to receive such information as you have available regarding the Coca-Cola Company, its prospects and earnings. Understand new interests have bought into the company.—H. L. O., Buffalo, N. Y.

Coca-Cola made an excellent showing in 1921; for nine months ended September 30 the company earned $4.75 on its common stock. When the fact is considered that the corporation did not work off its high priced sugar until November 1, it can be readily seen that this is an excellent showing. This corporation is now working on low cost sugar and it is anticipated that 1922 will show up very much better than 1921. It is understood that the bank loans of the company which stood $8,466,000 on December 31, 1920, have been reduced to about $2,000,000.

New interests have certainly bought into the company in the past year, but we are unable to say just how large a percentage of the stock is now controlled.

The stock looks like an attractive speculation, although it is not a security we would like to have for a permanent investment, for the reason that there is always a possibility of severe competition making itself felt.

MISCELLANEOUS STOCKS

Fair Speculative Possibilities

I hold some odd lots of Carbon Steel, Pierce Oil common and Niles-Bement Pond common. I purchased these stocks at higher prices and would like briefly your opinion as to whether they have any possibilities of coming back.—S. D., Brooklyn, N. Y.

In our opinion the outlook for Pierce Oil common has improved very much recently, one reason being the recent financing which has put it in good shape and another the fact that there is a new management in charge, which is regarded as a competent one and which should produce better results.

Carbon Steel Company for the year ended December 30, 1920, reported a deficit after depreciation of about $150,000. The balance sheet as of December 30, 1920, showed a fair financial position with accounts and bills payable of $1,061,000 as against cash and accounts receivable of $2,111,000 and inventories of $1,609,000. In past years the company has shown large profits and the stock appears to have fairly good speculative possibilities.

Niles-Bement-Pond for years has shown a good earning power. This year business has fallen off, as it has with all machinery manufacturers, but recently there has been quite a little improvement. We regard the stock favorably as a speculation.

AN ADVISABLE SWITCH

For Profit

I wish to thank you for your very valuable advice, given several months ago, in regard to Computing-Tabulating-Recording stock. Following your suggestion I purchased 200 shares at an average of about 37 and still hold them. In view of the fact that at present prices I have about thirty points profits, do you believe it advisable for me to take it? If so, is there anything else you would care to recommend in the same class, that is to say a semi-speculative security that has good possibilities?—R. A. H., Cleveland, O.

We believe it would be sound judgment to take your profits in Computing-Tabulating-Recording Co. around present levels. While we believe that this company has a splendid future the advance in the stock has been substantial and it is quite likely that the opportunity may be presented at some future date to buy into this stock again at a lower level.

As a switch we suggest Martin-Parry Corporation. This company is a manufacturer of commercial automobile bodies. It has developed a system of manufacturing standardized parts which has brought costs down to so low a figure that it now dominates the field in its particular line.

Capitalization consists of 100,000 shares of stock of no par value. There is no funded debt or preferred stock. Working capital of the company is about $1,300,000, equal to $13 a share. In 1919 $2.44 was earned per share and in 1920 $3.11. Earnings for the first nine months of 1921 indicate that the present dividend rate of $2 will be covered with a fair margin to spare. It is well known that the year 1921 was a very poor one for the automobile accessory companies and the outlook for 1922 is much brighter. From business now in hand and to be reasonably expected, it is estimated that the company may show as high as $6 or $7 earned this year. At present prices of around 21, the yield is 9.5%.

CITY OF WARSAW BONDS

A Gamble

In your opinion what kind of a buy are City of Warsaw municipal sixty year 5s—are they a pure gamble? Is Poland worse off than Germany or have they a better chance of pulling through?—M. E. E., Great Works, Me.

City of Warsaw Municipal 5s we should regard as a pure gamble. Poland, if anything, is worse off than Germany as regards its currency. Last reports are to the effect that the country is still printing money as fast as the press can turn it out and under these circumstances it does not appear that the currency will ever come back, at least to any marked degree. Suggest leaving these bonds alone.

JULIUS KEYSER

Improving Position

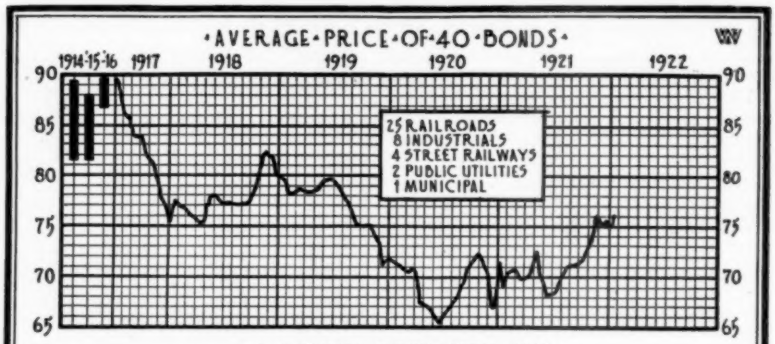
Will you be good enough to let me have a report on Julius Keyser common? I have followed with interest your reports on other securities but have not seen anything on this company.—D. J. J., Holyoke, Mass.

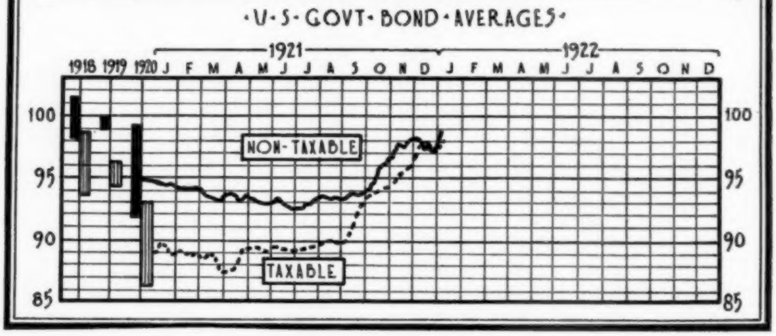
For the year ended August 31, 1921, Julius Keyser reported net profits after inventory adjustments and Federal taxes of $618,978, equal to $7.45 earned on the common stock as against $13.22 earned in the previous year. Current liabilities as of August 31, 1921, totaled about $5,000,000 as against cash and accounts receivable of $4,100,000 and inventories of $6,339,026. In view of the fact that the com-

(*Continued on page* 441.)

THE BOND MARKET

(Continued from page 389.)





Current Bond Offerings

MUNICIPAL and State financing continued the feature of the new offering department of the Bond Market during the past fortnight. A glance at the attached table, necessarily condensed, gives an idea of the preponderance of the financing of this type that is being done. Among the more important issues of the class were the State of Louisiana issues, including $1,000,000 5% gold bonds, maturing 1923-1962, and $6,000,000 Port Commission 5% bonds, maturing 1931-1971.

In the railroad group, new financing was limited to comparatively few companies, with a 1st and collateral mortgage bond issue by the Baltimore & Ohio Railroad interesting, though small, in view of the yield basis (6.50%) upon which the issue was offered to the public.

Industrial financing was at a minimum. Three fair sized issues—one on oil, the second a manufacturing company and the third an automobile concern—composed the important issues. It will be noted that these issues were marketed on a 7.40% to 8% basis. The necessity of paying this high rate for money is, of course, the chief deterrent to the many industrial concerns which would have good use for new funds obtained at less severe rates.

Public utility financing was fairly heavy, with the enlarged demand for securities in this field well demonstrated by the rapidity with which they were absorbed.

The character of the new financing to be done is not considered likely to alter in the early future. The handicap in favor of municipal financing is not likely to be removed, so that opportunities in this field will continue to be the more numerous.

IMPORTANT RECENT OFFERINGS

Name:	Maturity	Yield
Municipals		
Cambridge, O., School 6s	1923-43	5.25-4.90%
Cy. of Butler, Pa. Road 5½s	1926-30	4.30
State of Louisiana, Gold 5s	1923-62	4.50-4.80
City of Seattle, Municipal 5 & 6s	1927-41	5.60-5.70
Salt Lake City, 5½% Notes	Dec. 1922	4.75
City of Charleston, W. Va., Public Improvement 5s	1929-33	4.75
City of Dallas, Road 5½s	1935-50	4.90
City of El Paso, Gold 5s	1959	4.75
State of N. Carolina, Fdg. 5s	1937-52	4.55-4.75
City of Wheeling, Impvt. 5s	1930-53	4.60-4.75
State of Louisiana, Port Comm'n 5s	1931-71	4.75-4.85
Railroads		
Cin., N. O. & T. P. Ry. Co., Equip. 6s	1921-35	5.50-5.80
Gt. Northern Ry. Co., 1st & Refdg. 4½s.	1961	4⅞
B. & O. Ry. Co., 1st & Col. 4s	1959	6.50
Industrials		
Shaffer Oil & Refdg. 1st 6s	1920	8.15
Eastern Mfg. Co., 1st s. f. 7s	1938	7.40
U. S. Automotive Corporation, 1st 8s	1931	8 +
Public Utilities		
Edison Elec. Illuminating Co. of Boston 5½ Gold Notes	1923 / 1925	5½ / 5.80
Providence Gas Co., 1st 5½s	1942	5½

AMERICAN ICE CO.

(*Continued from page* 401.)

Class	Amount Outstanding*	% of Total
Bonds	$5,957	21.0%
Pfd. Stock	15,000	52.7
Common	7,500	26.3
Total	$28,457	100.0%

*000 Omitted.

As pointed out before in these columns, the fact that only a little over 20% of the company's capital is represented by common shares has the effect of transforming comparatively moderate changes in net profits into wide fluctuations in earnings per share of common. Take the years 1917 and 1919:

Sales rose from $9,840,000 in 1917 to $15,346,000 in 1919, or 56%.
Net rose from $1,094,000 to $2,024,000, or about 85%.
But earnings on the common shares for the period soared from $2.77 to $14.97, or some 440%!

When the company's sales decrease only comparatively moderately the earnings on the common shares are affected in the same exaggerated way. For example:

Sales declined in 1914 from $10,491,000 to $8,827,000, or about 15%.
Net declined from $1,659,000 to $409,000, or about 70%.
Earnings on the common shares, however, which had amounted to over $10.60 per share in the previous year, were completely erased.

Conclusions

The shares of the American Ice Co. have been on the uptrend for four years. The common sold as low as 8⅞ in 1917; it recently reached the high-record level of 83½. The preferred moved up, in the same period, from as low as 35 to as high as 76¼ (1919), and is selling at this writing around its high—actually at 74.

The preferred is entitled to 6%, but the dividend is not cumulative. At the current price of 74 it yields slightly over 8%. With due allowance for the remarkable showing scored by the company in recent years, the preferred seems scarcely entitled to a very high investment rating, pending a greater show of stability in the company's results. However, it is slowly working into the investment class and may get there after several more years of "seasoning."

The common, at 80, and assuming a 7% basis, yields 8.7%, is speculative, of course, but belongs to the better grade of common stock speculations. It is at this writing, having had a very great advance, showing signs of distribution and is at present in a weak technical position.

The New-Book Letter

The Investor and the Income Tax

This is an interesting treatment of the income tax problems which affect investors. The booklet contains several tables of reference of the "handy" description. Many unique problems are discussed at length. "The Investor and the Income Tax" is handled in question and answer form, and written very clearly and interestingly. The booklet is a compilation by Chambellan & Berger, certified public accountants, and issued by Frank J. Mulligan.

UNLISTED UTILITY BOND INDEX

GAS AND ELECTRIC COMPANIES

	Offered	Yield
Bronx Gas & Electric Co. First 5s, 1960	78	6.55%
Buffalo General Electric First 5s, 1939	96	5.35
Canton Electric Co. First 5s, 1937	90	6.00
Cleveland Electric Ill. Co. 5s, 1939	94	5.55
Cleveland Electric Ill. Co. 7s, 1935	107	6.20
Denver Gas & Electric Co. First 5s, 1949	90	5.75
Duquesne Light Co., Pittsburgh, 7½s, 1936	105	6.95
Evansville Gas & Electric Co. First 5s, 1932	84	7.25
Kansas Electric Utility First 5s, 1925	90	8.85
Kansas Gas & Electric 5s, 1922	100	5.00
Indianapolis Gas Company 5s, 1952	87	5.95
Los Angeles Gas & Electric Con. 7s, 1931	105	6.25
Louisville Gas & Electric Ref. 7s, 1923	100	7.00
Nevada-Cal. Electric First 6s, 1946	97	6.25
Oklahoma Gas & Electric Co. First & Ref. 7½s, 1941	103	7.20
Oklahoma Gas & Electric Co. First Mtge. 5s, 1929	89	7.00
Peoria Gas Electric 5s, 1923	97	6.65
Rochester Gas & Electric Corp., Series B 7s, 1946	105	6.55
San Diego Cons. Gas & Electric First Mtge. 5s, 1939	90	5.95
San Diego Cons. Gas & Electric First Mtge. Ref, 6s, 1939	96	6.35
Standard Gas & Electric Conv. S. F. 6s, 1926	96	7.15
Standard Gas & Electric Secured 7½s, 1941	96½	7.85
Syracuse Gas Co. First 5s, 1946	92	5.60
Twin-State Gas & Electric Ref. 5s, 1953	75	6.95

TRACTION COMPANIES

	Offered	Yield
Arkansas Valley Ry. Light & Power First & Ref. 7½s, 1931	None	....
American Light & Traction Notes 6s, 1925	97	6.85%
Bloomington, Dec. & Champ. Ry. Co. First 5s, 1940	69	8.35
Danville, Champ. & Decatur 5s, 1938	71	8.30
Georgia Ry. & Power 5s, 1954	83½	6.15
Kentucky Traction & Terminal 5s, 1951	67	7.95
Knoxville Ry. & Light 5s, 1946	70 Bid	None Off.
Milwaukee Light, Heat & Traction 5s, 1929	91	6.65
Milwaukee Elec. Ry. & Light 7s, 1923	100	7.00
Milwaukee Elec. Ry. & Light 20-Year 7½s, 1941	103	7.20
Monongahela Val. Trac. Co. Gen. Mtge. 7s, 1923	97	8.65
Memphis St. Ry. 5s, 1945	62	8.90
Northern Ohio Trac. & Light 6s, 1926	86	10.35
Northern Ohio Trac. & Light 6-Year Sec. 7s, 1926	93	9.10
Nashville Ry. & Light 5s, 1953	80	6.55
Portland Ry. P. & L. First Lien & Ref. Ser. "A" 7½s, 1946	102½	7.25
Topeka Ry. & Light Ref. 5s, 1933	71 Bid	None Off.
Tri-City Ry. & Light 5s, 1930	86	7.35
United Light & Rys. Ref. 5s, 1932	83	7.25
United Light & Rys. Notes 8s, 1930	102	7.65

POWER COMPANIES

	Offered	Yield
Adirondack P. & Lt. Corp. First & Ref. Gold 6s, 1950	97	6.25%
Adirondack Elec. Power Co. First 5s, 1962	90	5.65
Alabama Power Co. First 5s, 1946	90	5.75
Appalachian Power Co. First 5s, 1941	83	6.55
Cent. Maine Power Co. First & Gen. Mtge. 7s, Series A, 1941	102	6.80
Cent. Maine Power Co. 5s, 1939	93	5.65
Cent. Georgia Power First 5s, 1938	89	6.05
Columbus Power Company (Georgia) First 5s, 1936	98	5.20
Colorado Power Company First 5s, 1953	84	6.15
Consumers Power Co. (Mich.) 5s, 1936	92	5.85
Electric Dev. of Ontario Co. 5s, 1933	88	6.55
Great Northern Power Co. First 5s, 1935	93	5.75
Great Western Power Co. 5s, 1946	97	5.25
Hydraulic Power Co. First & Imp. 5s, 1951	93	5.45
Idaho Power Co. 5s, 1947	89	5.85
Kansas City Power & Light 8s, 1940	106	7.40
Kansas City Power & Light First 5s, 1944	88	5.95
Laurentide Power Co. First 5s, 1946	92	5.65
Madison River Power Co. First 5s, 1935	94	5.65
Mississippi River Power Co. First 5s, 1951	89	5.75
Niagara Falls Power Co. First & Cons. Mtge. 6s, 1950	102	5.85
Ohio Power First & Ref. 7s, 1951	101	6.90
Penn. Ohio Power & Light Notes 8s, 1930	101½	7.75
Potomac Electric Power Gen. 6s, 1923	99	7.00
Puget Sound Power Co. First 5s, 1933	90	6.25
Salmon River Power First 5s, 1952	89	5.75
Shawinigan Water & Power Co. First 5s, 1934	96	5.45
Southern Sierra Power Co. First 6s, 1936	92	6.90
S. W. Power & Light First 5s, 1943	87	6.10
West Penn. Power First 7s, 1946	104¼	6.65

TELEPHONE AND TELEGRAPH COMPANIES

	Offered	Yield
American Tel. & Tel. 3-Year 6s, 1922	100¼	5.40
American Tel. & Tel. 5-Year 6s, 1924	100⅝	5.90
Bell Tel. of Canada First 5s, 1925	90	8.85
Bell Tel. of Pa. First Ref. 7s, 1945	109	6.25
Chesapeake & Potomac Tel. Co. Va. First 5s, 1943	90	5.85
Home Tel. & Tel. Spokane First 5s, 1936	96	6.05
Western Tel. & Tel. Coll. Trust 5s, 1932	92	6.05

UNLISTED UTILITY BONDS

Denver Gas & Electric—Idaho Power—Colorado Power

THE unlisted utility bonds have, in sympathy with the general bond market, been relatively quiet for a number of weeks, but lately there have been indications of renewed activity.

Some excellent investment opportunities may be found in this section of the market. Several of the more prominent issues now coming into the public eye are the following:

Denver Gas and Electric Light Co.

The general (now first) 5% bonds of this company, which are due in 1949, are entitled to good investment rating. They are secured by a first mortgage on the property comprising the present gas plants and a substantial portion of the electric properties of the Denver Gas & Electric Light Co.

This company supplies electric light and power, artificial gas and central heating service in the city of Denver without competition. In addition it sells electric energy at wholesale for distribution in a number of the suburbs. Approximately 75% of the revenues of the Denver Gas & Electric Light Co. is derived from the sale of electric energy for light and power, a business that is increasing daily.

Over 99% of the $10,000,000 common stock of this company, which has paid dividends at the rate of 6% or over since Jan. 1, 1916, and at 3% prior to that time, is owned by the Cities Service Co.

The earnings of the Denver Gas & Electric Light Co. have for a number of years averaged over twice all interest charges and for the last two or three years have been about six times interest charges on the general (now first) 5% bonds of 1949.

An attractive feature of these bonds is that annually 1% of the bonds are drawn by lot and paid at 105, which is some 15 points above the present market price.

These bonds at 89 give a yield of 5.80% to maturity.

The first and refunding sinking fund 5% bonds of 1951, which are the next junior issue, sell at about 86½ and give 6% to maturity. Both bonds have a rather long maturity which is an advantage at this time with higher bond prices on the horizon.

Idaho Power Co.

The recent earnings of this company for the month of November indicate that the interest charges are being earned about 2⅓ times as compared with about 1¾ times for the same month of 1920. For the twelve months ended November 30, 1921, the interest charges were covered twice.

The gross earnings were very nearly the same for all four periods.

Colorado Power Co.

In November this company showed net after taxes of $44,384 as compared with $50,899 for November of 1920. Likewise the balance for surplus after fixed charges for the twelve months ended Nov. 30, 1921, were $120,315 as compared with $175,899 for the corresponding period of the previous year.

FOREIGN TRADE AND SECURITIES

(*Continued from page* 381)

strength. It is the oldest republic and has enjoyed both high financial credit and moral respect of the whole civilized world. This has been enhanced by the courageous and effective manner in which the Swiss people have observed their international obligations and protected their national life during the World War. The total debt of Switzerland, as of June 30, 1920, was about $751,893,548, of which about $386,780,500 are obligations of the government railroads.

The Government of Switzerland sold in the United States a $30,000,000 ten-year 5½% issue of bonds, due 1929. The following year in July, Switzerland obtained a $25,000,000 loan in this country through a twenty-year 8% issue of bonds.

Switzerland is a rich little nation, but relies for its living mainly on its trade connections with the surrounding countries, every one of which has been left in such a condition by the war that by comparison with Swiss money, the paper money of France, Germany, Italy and Austria has but small purchasing power. The French, for instance, cannot afford to buy Swiss goods when for every 100 Swiss francs of value they have to pay considerable more than 200 francs of French money. Not only do buyers in European countries now avoid purchasing in Switzerland as far as possible but in some cases they are unable to pay their debts in Switzerland.

At the present time Swiss exchange is at a premium as compared with the United States dollar. This is the first European currency that has recovered to its pre-war parity in comparison with American currency and an interesting feature of this situation is that there are some foreign external bonds of certain countries which are payable, among other currencies, in Swiss francs. The advance in Swiss exchange has made the coupons of such bonds particularly valuable. One of these issues is the Norway 4% loan of 1911, which is payable at a fixed rate in Swiss francs. There are no outstanding sterling loans of the Government of Switzerland.

WHY I FIGHT FOR THE FARMERS

(*Continued from page* 376)

Experts are studying this question and seeking to find a solution for an evil that all admit exists. Herbert Hoover and Bernard M. Baruch have taken this matter up, describing it as the most important question facing the nation and one that demands solution if prosperity on the farm, which is essential to national growth, is to continue.

Co-operative marketing by farmers is not theory. It has proved successful, despite handicaps, where it has been attempted. The various citrus fruit growers' associations in California have been a boon to producers. They have eliminated, to a large extent, the speculator, but they have not injured the legitimate middleman who performs a necessary service in the process of distribution. They have brought greater returns to the producer, but the consumer has not been asked to pay more.

Throughout the grain belt co-operative elevators are functioning, and, in instance after instance, they have increased the price obtained by the farmer for his grain. They have had to fight for existence and resist an assault the bitterness of which cannot be adequately described. The Farmers' Union has gone into the terminal grain markets to market grain co-operatively for its members.

Thousands of carloads of livestock are being marketed co-operatively to the benefit of members because, along a part of the journey of the product from the producer to the consumer, the speculator has been forced to keep his hands off. After all, despite the success achieved, only a start has been made. To obtain a real success co-operative organizations must be further extended. Through organization the farmers must reach the position where they can bargain collectively in disposing of their products and have a voice in directing how they shall be handled while on the way to the consumer.

This means great organizations, because farming is a great industry. These organizations, beneficent in effect, if they are to come, must be certain that they have a legal standing and a definite, unquestioned right to exist under the law. Only under such conditions can farmers be expected to assume the risks incident to such activities.

Under existing conditions there is a very definite menace to farmers—a menace that is becoming more serious every year and that eventually and soon will have a profound effect on the food supply of the nation. The farmers cannot indefinitely wage the unequal struggle and send their products to a market in which they have been and are being robbed right and left. Many farmers have been forced from the farm. Many others are barely able to hang on. Beyond a certain point they cannot continue to produce at their maximum, or even produce at all.

Agriculture is sick. The remedy that will go far toward curing that illness lies in the elimination of the speculator. Given the chance, the farmer will perform that operation himself. He will remove a blood-sucking parasite that is gorging itself on both the farmer and the consumer.

There is a nation-wide demand for greater efficiency all along the line. Co-operation will apply that efficiency to the marketing of farm produce because it will prevent loss to the average farmer through more equitable marketing. It will cut costs of production and risk, reduce the spread between the consumer and the producer. Thus it will give farm products

to the consumer cheaper and at the same time yield larger returns to the man who produces by eliminating much of the excessive cost of distribution under the present system in which speculation plays so dominant a part.

The situation is critical. It is dangerous. The greatest industry in the United States is menaced with ruin. Some corrective measure must be made available. This situation does not concern the farmer alone. Every citizen is affected through his food supply. There is no cure-all for all the farmer's economic ills. But the definite legalization of co-operative activity in marketing will go a long way toward enabling the farmer to correct the evil from which he is suffering. Given opportunity, he will do it. He should be given the chance.

SWITCHING FOR PROFIT

(*Continued from page* 403.)

to entangle him in new commitments.

A Few Specimens

In the attached table will be found a number of switch recommendations. In every case the issue to be exchanged pays no dividends and is not likely to pay dividends for a very considerable period. On the other hand, the issues into which the switches are to be made pay dividends, are in a secure position and eventually should sell at considerably higher prices. Investors might use this table as a basis on which to compare their own investments. Very probably it will suggest to them a method that will improve the position of their own investment holdings.

READERS' ROUND TABLE

(*Continued from page* 395.)

Great Britain. The only solution is to bring back all these exchanges to pre-war times; naturally, as long as some nations here have only paper money, the large financiers will not favor such a change for some time to come.

The largest exports now are paper, paper pulp, all kinds of timber, herring, nitrates, standard houses made to order, iron, ore, iron and steel bars and shafting, etc. The imports are all classes of foodstuffs, autos, etc. However, a synopsis of it all is simply that there can be no normal business here until the currency situation is solved, and that will only be when the money is back to the old basis. In 1913-14 the Norwegian kroner was worth 20-21c., the Swedish kroner 24-25c., the Danish kroner 19-21c., and the Finnish mark about 14-20c. As regards the last-named nation, however, it is extremely doubtful if a change can be calculated there with their money. They are so heavily in debt, they have such enormous military and police expenses for a nation only of 3,000,000 people, due to the Bolshevik agitators, and the writer believes that when there is any improvement there it must also be a complete change in Russia's industrial life: the two nations are linked together. Finland needs Russia's wheat, meat, furs, and foodstuffs, and Russia needs paper, timber products and fish.—H. P.

OVER-THE-COUNTER

IMPORTANT ISSUES

(Quotations as of Recent Date)

American Type Founders, com.	44 - 47
Atlas Portland Cement	45 - 50
Babcock & Wilcox	100 -103
Borden Company	98½-100
Celluloid Co.	98 -102
Childs Co.	100½-103
Crocker Wheeler	— - 60
Jos. Dixon Crucible	133 -140
Ingersoll-Rand	145 -155
H. W. Johns-Manville	375 -450
New Jersey Zinc	124 -126
Niles-Bement-Pond	40 - 42
Phelps, Dodge Corporation	150 –170
Royal Baking Powder Co.	91 - 96
Safety Car Heating & Light	60 - 63
Stetson (John B.)	295 -310
Thompson-Starrett	57 - —
Victor Talking Machine	800 -900
Ward Baking Co.	100 - —
Yale & Towne Mfg.	260 -270

New Jersey Zinc

A Good Investment

THE New Jersey Zinc Co. is the largest producer of zinc and manufacturer of zinc products in this country. It began business in 1848 and has been operating under the present name since 1897. The company owns and operates plants and mines in 12 states of the Union, also in Mexico. Its products include zinc oxide, spelter, lithopone, zinc dust, sulphuric acid, zinc sheets, and so forth. Large tonnages of its zinc oxide are sold to the rubber trade, where the product is used in the manufacture of tires, and this branch of the company's business is increasing.

In the first quarter of 1921, the company reported net earnings of about 49 cents a share on the $42,000,000 capital stock outstanding. Earnings in the previous three months had been about $2 a share, and for the corresponding quarter of 1920 they were $7.50 a share.

The company's business is improving, largely as the result of doubling the capacity of its lithopone plant and the perfection of a new slab zinc compound used for roofing, conductors and other building construction. In the quarter ending September 30, 1921, earnings amounted to $1.81 a share, as contrasted with earnings of $1.39 a share in the previous quarter.

The company's earnings and dividend record in previous years has been excellent, as shown by the following table:

(In Thousands)

Year	Net Earnings	Dividends Paid
1916	$34,028	76%
1917	25,413	46%
1918	18,986	20%
1919	10,643	20%

The company paid dividends at the rate of 8% on its capital stock for the first three quarters of 1921. During the year, the bid price for the stock ranged from 110 to 154, the latest sale reported being at 125.

Ward Baking Company

Speculative Possibilities in Common

THE Ward Baking Co. enjoys enviable prestige in its field. Extensive advertising, coupled with efficient and large-capacity plants, have placed the company at the forefront.

The industry served needs no comment. It is an essential industry.

The management of the company has proven its ability by building up an immense business.

The company's productive capacity is large. According to the latest record, it operates 15 bakeries, distributed among 9 cities, as follows: Boston, 1; Providence, 1; Chicago, 4; Pittsburgh, 2; Cleveland, 2; New York, 2; Baltimore, 1; Newark, 1; Columbus, O., 1.

Ward Baking publishes no earnings statements, although the stock is said to be widely held. However, balance sheets are available, also records of sales. From these the attached table was compiled, which shows a remarkable increase in business handled, as well as a constantly improving liquid position.

The company's capitalization includes $5,162,600 sinking fund 6s (coupon bonds, available in $100, $500 and $1,000 forms); an authorized $15,000,000 of 7% cumulative preferred, par $100, of which $7,431,600 is outstanding; and an authorized $15,000,000 common, par $100, of which there is $7,927,000 outstanding.

WARD BAKING GROWTH.

(In Thousands)

Year	Sales	Working* Capital
1913	$10,199	$ 926
1914	10,413	569
1915	13,738	1,087
1916	17,253	1,451
1917	21,319	2,359
1918	26,497	3,943
1919	32,509	5,392
1920	46,981	6,015

*Current Assets: Inventories; cash and debts receivable; investments. Current Liabilities: Accounts payable; salesmen's security; floating debt and accrued interest.

The shares are dealt in over-the-counter. The preferred, quoted 101-102, yields 6.85%. A strong asset position and the company's proven growth entitle this security to a high rating.

The common is quoted 105-110. This

stock, in recent years, has received large bonuses, in the form of cash and stock dividends. The payments for the last five quarters to date were as follows:

January, '21	1½%
April, '21	1½%
July, '21	1¾%
October, '21	1¾%
January, '22	1¾%, plus 3% extra

Without knowledge of the actual earnings record of this company, it is undesirable to take too emphatic a position regarding the common shares. On the other hand, the company's record shows a prejudice in favor of generous dividend disbursements; sales last year were four times as large as they were seven years before; the company is strong in cash and enjoys an established market for its products. These factors certainly entitle Ward Baking common to a very high speculative rating.

SPECULATIVE OPPORTUNITIES IN RAILROAD STOCKS

(*Continued from page* 393.)

um for future financing. If this obstacle is removed, Rock Island common should eventually grow much more valuable.

6. Chicago & Eastern Illinois.—This is the youngest full-fledged member of the Reorganization Lodge, its final degree having just been awarded. The engineers who examined the property for the bankers estimated the normal future balance available for interest charges at $5,300,000. This corresponds closely with the figure arrived at in Table I. On this basis the road should earn $6.60 per share of common stock, or 45% of its current price. The actual results in 1921, however, were very disappointing, as only a nominal balance was shown over interest charges. This unexpectedly poor exhibit was caused in good measure by the abnormally heavy maintenance outlay, which consumed no less than 45½% of gross. There was also a peculiar shrinkage in the credit for equipment and joint facilities rentals. In 1920 the company had realized about $1,667,000 net from these sources, but last year this extra income well nigh disappeared.

Considering the low price of C. & E. I. common, the speculator may well afford to ignore the mediocre performance of last year, and place his reliance on lower operating costs in the future.

Apologia

Because of the wide range of the subject under discussion, it has been necessary to omit many details considered in arriving at the conclusions stated. Despite the great amount of time and care expended in this study, the recommendations made can be set forth only in tentative and undogmatic fashion. For the reader no doubt realizes to what extent more or less arbitrary estimates have unavoidably entered into these calculations. But, after all, judgment and not mathematical precision is the basis of all speculation, and it must not be forgotten that the opportunities herein described are primarily for the speculator.

PUBLIC SERVICE CORP. OF N. J.

(*Continued from page* 415.)

other cities, it is likely that the 8-cent fare will be retained for some time, in which case the company should show a much better profit and loss statement.

In general, it may be expected that the Public Service Corporation will show more satisfactory statements, but it is possible that some of this improvement will be used to take care of deferred maintenance, and it will also eventually have to reduce its rates.

The earnings for 1920 revealed only a slight margin after payment of dividends on the common stock. The balance sheet of the railway company for December 31, 1920, showed current liabilities of $6,267,202, against current assets of $1,712,684. This ratio was also unsatisfactory for the Public Service Corp., but was much better for the Public Service Gas Co. and the Public Service Electric Co. was in very good condition. In summary, it appears that the corporation, *through better earnings of its subsidiaries,* may possibly be able to increase its common stock dividend to 5% or even 6% within the next six to nine months, but because of its cash position, its requests for increases in rates and maybe deferred maintenance, it would hardly be the conservative thing for the corporation to do.

Conclusion

The stock is now selling at about 68 and with a 4% dividend gives a 6% return. The high for the stock in 1921 was 70¼ and 68 in 1920. At the present price of 68 the stock has apparently discounted such favorable news as will appear for some time and does not seem to be an especial bargain, although it seems likely that this stock will sell considerably higher in two or three years.

The dividends on the 8% preferred stock are fairly well secured and should be paid in normal times.

The General Mortgage 5% Bonds of 1959 are secured by a mortgage on all the property of the company, including franchises and leaseholds, subject to $19,130,285 perpetual interest-bearing certificates. These two issues are not a first mortgage on the properties of all the companies, but are preceded by bonds of the subsidiary companies. There are approximately $64,000,000 of bonds of the gas and electric companies and some $71,000,000 of railway bonds. In addition to this, dividend payments on over $50,000,000 of the stock of subsidiary companies are guaranteed from rentals.

The net earnings of the Public Service Corp., after provision for fixed charges of the subsidiary companies, were in 1920 about one and a half times interest charges. In 1918 and 1919 the margin of safety was less. The record of earnings and the security back of the bonds does not entitle them to a high investment rating. At the present price of 72 they give a yield of about 7⅛%.

These bonds in 1921 had a high of 76½ and a low of 57¾. The price of the bonds appears to be sufficiently high, but there is no reason to believe that the company will be unable to pay its interest charges and the margin of safety should improve. Therefore, this security seems to be quite well suited to the person who can afford to make a business man's investment and has the time to watch the developments affecting the company, and the knowledge to interpret them correctly.

The 6% perpetual interest-bearing certificates are prior to the General Mortgage 5% Bonds of 1959 on the security they cover, but are not in a stronger position. This issue is not listed and is not so active.

$5,000 IN PUBLIC UTILITIES

(*Continued from page* 414)

all the company's properties, subject only to a nominal subsidiary obligation amounting to less than $300,000. The value of the parent company's property alone amounts to over $47,000,000 at book value, and very large equities also exist in the properties of the subsidiary companies of which Brooklyn Union owns the entire outstanding capital stocks and carries on the balance sheet as "investments" at a nominal figure. These subsidiaries have been stated to have a property valuation of over $9,000,000, which gives a total property value for the system of over $56,000,000. Taken at current-day replacement values the figure would be considerably greater, and it is also important to note that nothing is included for franchises, going value, good-will, or other intangible items.

Brooklyn Union Gas Company, it is true, has not been reporting satisfactory earnings over the past several years, but the company has been allowed increases in rates and is now charging $1.25 per 1,000 cubic feet of gas, as against a former statutory rate of 80 cents. The company's costs are rapidly coming down and it is only a question of time before it will be operating at a substantial profit. At any rate, the equities back of the First Mortgage Bonds are so great as to make their safety unquestionable.

The Southern California Edison Company's General and Refunding 6s are secured by a direct mortgage on all the property of the company, also by deposit of over 90% of the Santa Barbara Electric Company capital stock. The bonds are outstanding in amount of $31,723,000 and are subject to $33,903,000 miscellaneous underlying issues. Following the bonds the company has outstanding $7,000,000 7% debentures, $4,000,000 first preferred stock, paying 8%; $12,029,900 second preferred, paying 5%, and $20,444,072 common stock, paying 8%.

The company operates in ten counties of Southern California and the San Joaquin Valley, with an area of over 55,000 square miles and a population of 1,500,000. Gross earnings for the year ended June 30, 1921, amounted to $16,209,088, against operating expenses, including taxes, insurance and maintenance.

(*Continued on page* 435.)

TRADE TENDENCIES

(Continued from page 385.)

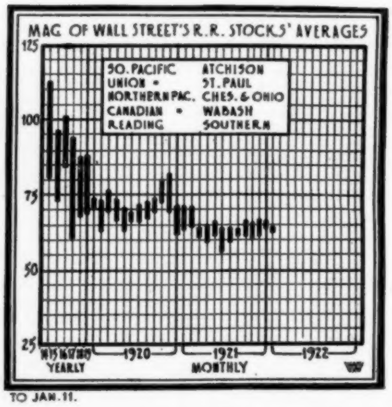
tensive commitments at these figures. The demand for kerosene is not up to expectations and stocks are of such good proportions that it is inevitable that the failure of demand to materialize must result in a lower price level for this commodity. Bunker oil is weak and gas oil is sluggish. The lubricants are somewhat slow, though the price level is nearly the same as several weeks ago.

Generally an unfavorable interpretation can be construed of the present behavior of the oil market. The readiness with which Pennsylvania crude came down suggests cuts in other varieties of crude oil. Neither domestic nor foreign demand is what it should be, and with stocks mounting, owing to the high rate of production, the immediate outlook is not satisfactory.

RAILROADS

Slump in Traffic

Since the end of October there has been a decided slump in railroad traffic. The decline in December, while not quite so large proportionately as usual in that



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month, nevertheless was large enough. Coincident with the decline in traffic has been an increase in the number of idle cars, showing an increase of nearly 100% since the end of October. The decline in traffic is attributable, first, to the usual seasonal lull in railroad business commencing with the end of the autumn months; and, second, to the somewhat severe slump in industrial activity which has recently set in appearance. The latter was somewhat unexpected in severity.

It is, of course, a foregone conclusion that traffic for the balance of the winter months will show a falling off. To balance this, however, is the almost complete certainty that the total amount of traffic for 1922 will exceed that hauled in 1921, as the volume of business activity is broadly upward.

Many companies are still concentrating on reducing their expense accounts. In this connection, however, it is important to notice that some carriers feel themselves in a sufficiently sound financial position to increase their maintenance charges. These columns on several occasions have pointed out that one of the contributing factors in the improved earnings statements of the carriers has been their excessively reduced maintenance charges. With maintenance charges broadly upward, the earnings statements issued will show more truly the real earning power of the carriers. One of the signs that the railroads are taking better care of their property is that the percentage of bad-order cars has fallen to 14%, compared with 16.6% six months ago.

The problem of rates and wages yet remains to be adjusted. It is improbable that further action with regard to reduction of rates will be taken, except in special instances, until the wage level has been adjusted to meet the lower cost of living. Certainly it is a fact that railroad labor is receiving more in return for its effort than any other class of labor.

With economies already in operation and with further economies in prospect, especially those arising from any possible action with regard to the reduction of railroad wages, it is probable that the carriers, as a whole, will be making a more favorable showing in 1922 than they did last year. While it is not the province of this department to discuss the stock market phase of industries, it is not going too far out of the way to suggest that the probable improvement in the industrial phase of the railroads is certain to be discounted in the market position of their shares.

RUBBER

A Period of Quiet

Owing to the seasonal quiet usually accompanying the inventorying season taking place at the end of each year, rubber manufacturing generally has slowed down. Mechanical rubber output is only about one-half of capacity. Tire manufacturers have been affected by the lack of response to the cut in prices since the middle of November. The dealers have been rather listless in their response to these price reductions, but with the oncoming spring months they must soon come into the market. A favorable feature has been the improvement of solid tires, which have shown a monthly increase in sales since the end of summer. The rubber footwear situation is not quite as satisfactory as hoped, owing to the rather mild winter. Insulated wire products are moving fairly well, with a better outlook for next year.

The general rubber situation is thus "spotted." It cannot be said that any one branch is in a completely satisfactory position. Few manufacturers are looking for rapid improvement, but feeling generally grows more optimistic.

One of the factors contributing to a more hopeful spirit in the trade has been the rise in crude rubber prices. Prices of crude rubber are now about 20 cents a

pound, compared with a price of around 14 cents a few months ago. The rise, as explained previously in these columns, was due principally to two causes: (1) the action of British rubber interests in practically placing 100,000 tons of rubber in *escrow,* and (2) the buying by American consumers who were compelled to cover their requirements for the year.

The statistical position of crude rubber still remains a barrier, but with 100,000 tons of rubber financed in London, pressure to that degree has been removed from the market. It is possible that when rubber and tire manufacturers come more heavily into the market, with the end of winter prices will advance again. It is, at any rate, doubtful that the price level will descend to the exceptionally low point witnessed last summer.

Tire manufacturers naturally depend on a greater volume of sales with which to make up the difference resulting from their lower price schedules. Fortunately, the inventory situation of most companies has improved considerably. Stocks of manufactured tires are somewhat less than a few months ago, and with the demand which is bound to increase shortly, the present surplus will be reduced appreciably.

The better financed companies are in a position to take advantage of the low prices of rubber and other elements entering into tire manufacture. Most of these companies have reduced their labor charges and have in other ways effected economies. While their adjustment period is not yet completed, they are certainly nearer a basis of stability than was true a year ago.

TOBACCO

Higher Raw Prices Expected

The higher grade raw tobaccos have already shown a tendency to advance, several small price increases being noted in the past few weeks. This has been due to the smaller crop yields and fairly heavy buying. Inferior grades, however, are moving sluggishly and give no indication of impending price changes.

In the manufacturing end of the industry, cigarettes show up to best advantage. Not only did 1921 break all records for output but this year promises to duplicate this performance. Cigarettes, being attractive to most consumers on account of the quantity received for the price paid, are competing directly with the more expensive tobacco products, particularly cigars. As a result demand for the latter has fallen off considerably. Only the cheaper grade cigars are moving in satisfactory volumes and that has been owing to the decided price cuts effected in the past few months.

With a favorable outlook for higher raw tobacco prices, it is hardly likely that wholesale prices will decline below prevailing levels. On the other hand, the retail end of this industry has not yet sufficiently adjusted itself to the general price level, and with competition existing on a very large scale, it is almost certain that the price of many individual products will be lower within a short period.

The outlook for the tobacco industry is mixed, with the manufacturers of the cheaper brands probably being in the best position of all. Growers of the better grade tobaccos will profit from the higher prices to be received. It is doubtful, however, that the retail establishments will get through this period without lowering the price of many of their articles. This should result in a decline in earning power for the time being, until costs and prices are on a more equitable level.

IF YOUR BROKER FAILS

(Continued from page 378.)

to the broker's assignee or trustee in bankruptcy.

An Illegal Act

If the broker has pledged the customer's securities separately (that is, not mingled with the securities of any other customer) for a greater amount than the customer's indebtedness to him, this is an illegal act on the part of the broker. It does not, however, affect the rights of the person with whom the securities were pledged, and the customer can redeem them only by paying to such person the full amount for which they were pledged to him by the broker.

Where the broker has used his customer's securities (whether they be securities carried on margin for the customer, or securities owned outright by the customer and deposited by him with the broker as collateral to secure his trading account), mingling them with the securities of other customers, and has pledged the whole for an amount greater than the customer's indebtedness to the broker, the person to whom they were pledged in like manner obtains clear title to the securities. In such a situation each customer whose securities went to make up the whole amount so pledged by the broker, may redeem his securities by paying his proportionate share of the full amount for which all the securities were pledged.

If any part of the securities thus pledged in bulk by the broker is the property of the broker himself, the customer may require the person with whom they were pledged to satisfy his claim against the broker as far as possible out of the securities belonging to the broker before resorting to the securities which are the property of the customer. (As to the foregoing rules, see "Campbell on the Law of Stock Brokers," pages 62 and 63.)

In "Short-Selling"

Of course, if the customer's account is "short" at the time of the broker's failure, there is no question of reclaiming the securities. In such case the condition of the customer's account is determined on the assumption that the short sales were covered at the closing market prices on the day of the failure. If this computation shows a balance in the customer's favor, he may file his claim against the bankrupt broker for the amount of such balance. If, on the contrary, it shows an indebtedness to the broker, the customer must pay the amount thereof to the assignee or trustee in bankruptcy, and the latter has power to sue to enforce such payment.

THREE GOOD SHORT TERM ISSUES

(Continued from page 388.)

pany's net assets, behind these bonds, after the deduction of all other liabilities, including reserves, amounted to over $149,000,000.

The net income for the year 1920, with the charge for gas figured at the old statute rate of 80c. per 1,000 cubic feet, available for interest charges, amounted to over $3,750,000, or more than 1.57 times total requirements. The eighty-cent rate, however, has been enjoined by the courts as confiscatory and inequitable and satisfactory increases have been allowed. The company is now charging at the rate of $1.25 per 1,000 cubic feet, but the balance over 80c. is being placed in *escrow*, pending the decision of the Supreme Court of the United States which is expected in the very near future. As the company has won its case in all the minor courts, little doubt exists that the Supreme Court decision will be other than favorable.

These 7% bonds are thoroughly sound and their safety is unquestionable. At their present price of about 103½, the yield to maturity is about 5.88%, which is about 1% less than could be obtained in other straight out and out short term notes of good standing. This sacrifice in income, however, is more than overbalanced by the especially attractive convertible privilege that the bonds carry. This provides that on and after February 1, 1922, and on any interest date thereafter until maturity, the bonds may be converted into capital stock on a par for par basis. Consolidated Gas stock has a record of continuous dividend payments for 36 years, and the present rate of 7% per annum has been in effect since 1916. Over the past 20 years the average price for the stock has been above 140, and even as recently as 1919 it sold as high as 106⅜ and as high as 134⅝ in 1917. In the five pre-war years, 1909 to 1913, inclusive, it ranged between a high of 165¼ and a low of 114½. At the present writing the stock is quoted at about 90½, and with the announcement of a favorable Supreme Court decision on the rate case, which should be handed down before next Summer, there is a strong likelihood that the stock will cross par and make the conversion privilege of the 7% bonds very valuable.

American Cotton Oil 6s

The American Cotton Oil Company, incorporated in 1889, manufactures various cottonseed oil products, the most well-known articles of its output being "Gold Dust," "Fairy" and "Copco" soaps, and "Cottolene." The company's outstanding capitalization consists of $9,000,000 6% notes of 1924; $5,000,000 5% debentures of 1931 (these issues rank equally); $10,198,600 6% non-cumulative preferred stock, and $20,237,100 common stock.

The 6% notes of 1924 are a direct obligation of the company, but not secured by mortgage. The notes, however, are issued under an agreement which provides that no mortgage lien shall be created or placed upon the property of the company without the written approval first had of 80% of the notes outstanding, and also without providing for the security by such mortgage of all of the notes then outstanding, equally and ratably with all other indebtedness secured by such mortgage. The notes are also protected by a sinking fund, which provides for the retirement of $500,000 of notes annually, either by purchase or call, at not over 102 and interest.

The company's fiscal year ends August 31, and for the past two years deficits have been reported, largely brought about by inventory depreciation due to the extreme declines in cottonseed oil. In previous years the company has shown a steady and consistent earning power, and until preferred dividends were discontinued in 1921, they had been paid regularly and without interruption since 1892.

High Inventories Liquidated

The annual report covering the year ended August 31, 1921, however, shows that the company has thoroughly liquidated its high inventories and worked itself into a sound, in fact, even a remarkably strong cash position. Although operations were carried on at a loss of about $2,000,000, inventories had been reduced from $13,326,640 on August 31, 1920, to $6,559,826 on August 31, 1921; notes payable of $5,800,000 in 1920 had been entirely paid off; the outstanding 6% notes had been reduced from $10,000,000 to $9,000,000; additional reserves of nearly $900,000 had been set up; and cash stood at $2,383,333, as compared with $2,968,894 in the preceding year. According to the August 31, 1921, balance sheet, current assets amounted to $13,334,413, against current liabilities of only $1,106,876, an excess of $12,227,537. Real estate, buildings, machinery, etc. (less depreciation), were conservatively valued at $14,910,437, giving total net tangible assets of $27,137,974. This figure does not take into consideration the company's good-will, trade names, brands, etc., on which millions of dollars have been spent in advertising and are undoubtedly very valuable.

In the annual report, Lyman N. Hine, president, stated that although the first 10 months of the fiscal year had been unsatisfactory, the last two had been profitable. The company has taken its losses and with the market for cotton oil now thoroughly liquidated the outlook for future operations is very promising.

The 6% notes of 1924 are not listed on any exchange, but they enjoy an active "over the counter" market in New York and other cities. They are the obligation of a thoroughly seasoned company that has satisfactorily "weathered" the readjustment period and put its affairs into a very strong position. In the opinion of the writer, the bonds are entitled to an excellent rating as a short term investment and can be bought with safety. At their present price of 94 to 94½ they yield about 8.34% to maturity and are exceptionally attractive at those levels. Of striking significance in this connection is the fact that these bonds are selling completely out of line with most other medium-grade and speculative bond issues.

$5,000 IN PUBLIC UTILITIES

(*Continued from page* 430.)

of $6,845,011, leaving net earnings of $9,-364,077 available for total mortgage bond interest of $3,641,210.

Southern California Edison Company is an exceptionally successful company and its General and Refunding Mortgage 6s are entitled to an excellent rating.

Pacific Gas & Electric Company is one of the largest public utility companies in the United States. It serves 36 counties in central and northern California, including the city of San Francisco, having a population of over 1,850,000 and an area of 54,000 square miles, or a territory nearly as large as the whole of New England. The net earnings for the year ended October 31, 1921, amounted to $13,454,264 against total interest charges of $5,133,531.

The first and refunding mortgage bonds are outstanding in amount of $10,720,000 series A 7% and $10,000,000 series B 6%. They are a first mortgage on the entire properties of the Mt. Shasta Power Corp. and a direct mortgage on the entire properties of the Pacific Gas & Electric Company, subject to about $83,000,000 miscellaneous issues. Following the bonds there is outstanding $39,930,930 preferred stock, paying 6%, and $34,004,058 common stock, paying 5%.

An Attractive Issue

Brooklyn Union Elevated R. R. Company is a subsidiary of the Brooklyn Rapid Transit Company, which is now in the hands of a receiver. The fact of the B. R. T. being in receivership is probably the sole reason that these bonds are selling as low as they are, for they are decidedly out of line with other issues of no greater or better security. The bonds are a first mortgage on about 43 miles (measured single track) of elevated railroad structure comprising a majority of the most important elevated lines of the system. They are also a second lien on about 48 miles (measured single track) of the Kings County Elevated R. R. Co. A large part of the lines covered by this mortgage constitute main feeders to the N. Y. Municipal Railway (B. R. T. subways) in which the company is virtually a partner with the City of New York.

These bonds are outstanding in amount of $16,000,000 and together with the $7,-000,000 Kings County Elevated R. R. Company first 4s they underlie practically every other obligation of the system even to the extent of coming ahead of the Receiver's Certificates. A default in interest on either these bonds or the Kings County 4s would practically paralyze the subway systems in which the City of New York has an investment of upwards of $200,-000,000. These bonds are well secured and there is no doubt as to their interest being paid.

It may be said, however, that the preferred dividends (both of which are cumulative) are being covered by wide margins and may be considered conservative investments. The common stocks have been selected as being reasonably certain of continuing their dividends and at the same time offering very attractive possibilities for substantial appreciation in value during the coming year.

NEW YEAR CONTINUES BUSINESS REVIVAL

(*Continued from page* 382)

Activity of Bank Credits

The recession in total volume bank credit is well illustrated by the decline in the total volume of national bank deposits shown by the Comptroller of the Currency in his annual report just published. It is also seen in the marked falling off of Federal reserve bank portfolios to a figure of little more than $1,200,000,000 or much less than half of the amount held a year ago. Nevertheless the activity of credit still carried on the books of the banks has been very satisfactory, debits to individual deposit accounts being reported as $33,392,355,000 for November the last complete month, with subsequent increases. This degree of activity indicates a very fair demand for goods at retail and such indication is confirmed by the reports of large retailers throughout the country which show that during the month of December there was a satisfactory volume of business. This condition, it is true, was more noteworthy in some of the centers of population and in the North than it was in the agricultural districts or in the South,—a condition due to the fact that a good many farmers have had to ask their bankers to carry them over and have not been able to buy as liberally as they would ordinarily do. Still taking the country as a whole, an improving outlet for goods is indicated. Comparison with conditions a year ago may be drawn from the following summarized statement from the retail trade figures prepared for the Federal Reserve Board and based upon the statements furnished by a selected list of establishments in a large way of trade throughout the country.

Retail Trade

	Percentage of increase (+) or decrease (—) in net sales as compared with corresponding period in previous year	
	October	November
Total U. S.	— 6.7	—13.7
District No. 1	+ 4.4	— 7.2
District No. 2	+ 2.8	— 8.2
District No. 3	— 3.2	— 8.9
District No. 4	—15.2	—21.1
District No. 5	— 5.6	—12.9
District No. 6	—15.1	—21.4
District No. 7	— 9.9	—16.9
District No. 8	— 8.7	— 9.4
District No. 9	—12.8	—18.3
District No. 10	— 7.4	—18.8
District No. 11	—16.7	—25.9
District No. 12	— 6.8	— 7.9

Foreign Trade Still Poor

The figures for foreign trade most recently available hold out but little reason for satisfaction but indicate that reaction or recession is still underway in that field. Absence of foreign orders for example is responsible for the shrinkage of business revealed by the steel companies, in very considerable degree. There is a revival in some parts of the world, as for example in certain of the South American countries, but it is limited. The graph showing foreign trade does not reveal very sharp decline but is not altogether to be regarded as telling the whole story. At the low prices for foodstuffs, and the relatively low prices for cotton which have prevailed, our shipments of staples have gone abroad in considerable quantity and have served to keep up the general volume at the same time that manufactured goods had hard work to maintain themselves abroad. We continue to receive great quantities of gold from foreign countries although the inflow is declining. Figures now available, in complete form, for the past year, show that our net importation was about $650,000,000 for 1921, but there has been a considerably larger increase than that in the banks, as their statements show due to domestic depositing. We cannot continue long to carry on business upon this basis and the conference, which has now been called at Genoa for early Spring and in which the United States is evidently to be represented, must consider as one of its fundamental questions the whole matter of the financing of foreign trade. If a decision can be reached upon any reasonable basis, we might fairly look for the restoration of our commerce and the stabilization of exchange by gradual degrees—a hope which cannot be very strongly entertained if conditions are allowed to go on as at present without relief.

WHY THERE ARE SO MANY FAILURES

(*Continued from page* 378)

cluding the banks where he has always, up to this time, been able to secure the modest credit needed to run his business. Jones has always been a prompt payer and his bank never had any trouble with him.

One day, about a month ago, Jones walked into his bank and asked for a loan of $2,500. For the first time in his life he was refused. In the kindest but firmest way the banker explained to Jones that credit was tight and that the loan would not be forthcoming as usual. But the banker would recommend Smith, who, he thought, could spare a loan of $2,500, the needed sum. Jones saw Smith and the latter agreed to make the loan with the following proviso: Jones was to give Smith a bonus of $250 for the $2,500 loan in addition to the usual 7% interest. Jones made a rapid calculation: it would cost him about 17% to get the loan. Jones explained in choice language what he thought of the conditions and went away. He then went from place to place and found no opening. He had to get the money: the debt was pressing. Finally he went back to Smith and, agreeing to the conditions, received his $2,250 and went home. He is now paying 7% interest on the full $2,500, incidentally paying the loan off at the rate of about $185 a month. Smith is getting more than 17% on his money!

A Peculiar Situation

There are hundreds of Joneses and Smiths throughout the country.

It is whispered in certain circles that the big business men can get all the credit they want but that some of the small banks are purposely hard on their relatively insignificant customers. It is even

whispered that some two-by-four bankers send Jones to Smith, not unaware of the terms by which the latter will make loans. Sometimes even these banks will rediscount Smith's paper knowing pretty well that the money which Smith secures from the rediscounting of this paper will go to Jones as the loan made by Smith. It is a wonderful system. There are even some who say that there are some small-town bankers who make a little extra money this way. They may or may not. Certainly the rank and file of bankers do not indulge in such practices, but it all goes to show the difficulties faced by Jones.

Is there any help for Jones? In this country there are a few large institutions which make a practice of lending out sums at more moderate terms than Smith—but not much more moderate. However, the advantage is all with them, morally speaking.

It is obvious, however, that the credit needs of the country's small business men are too large for the capacity of the few more or less philanthropic organizations which may exist, if such organizations can be called truly philanthropic.

Where is there help for Jones? What can he do when in need of credit? Are there ways of granting him a little respite from his business troubles?

With the money market at 4¼% Jones is still paying 18% and 20% and more for his funds. It is an evil situation.

One Solution

Readers of this article who are in Jones' position, or who ever have been, know how difficult it is to secure loans at reasonable rates when they are hard up. It is the purpose of the writer to suggest new approaches, for there may be some. One way could easily be the following: *Why don't the large firms with which Jones does business get together, take upon themselves the responsibility of securing credit for Jones on moderate terms? They get it themselves. They don't have to pay 17% or 20% for their money. Let them, so far as possible, be their customers' bankers. It would be better business policy in the long run.*

THE TEXAS COMPANY

(*Continued from page* 413)

enterprise Port Arthur has developed into a big city, housing mostly the company's employees. The Texas Company was always prominent in taking care of their employees' welfare. Other refineries and topping plants are in West Dallas, Lockport (Ill.), Tulsa (Okla.) and Shreveport (La.). During the last years the company has installed 5,000 barrel topping units at some of the eighteen ocean terminals, like Norfolk, Marcus Hook, Providence and Bayonne. Thus the total refining capacity of these refineries is well over 100,000 barrels a day; 18 gasoline compression plants produce 43,000 gallons of gasoline per day; a fleet of over 5,000 tank cars, owned and leased, are part of the well organized and equipped transportation system.

All these facts should enable the stockholder and others to realize the strength and magnitude of the Texas Company.

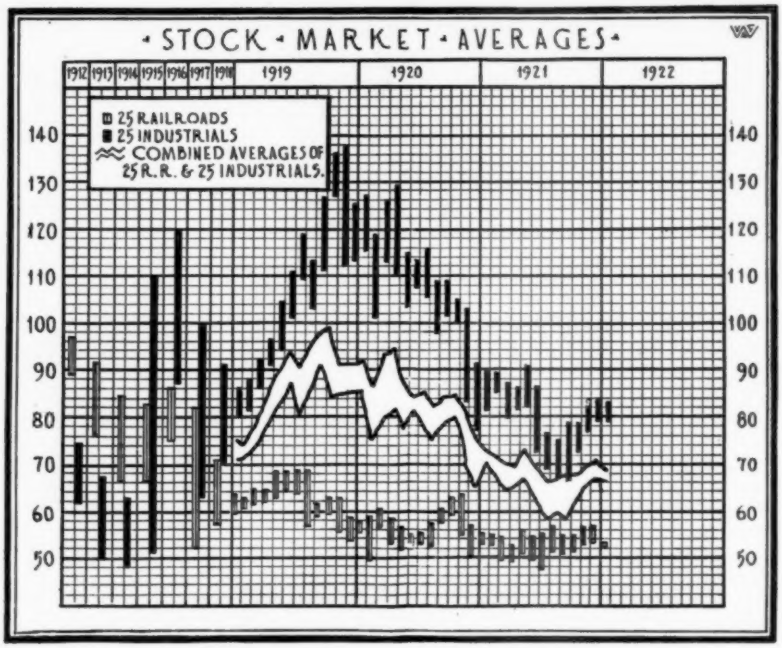
IMPORTANT DIVIDEND ANNOUNCEMENTS

Ann. Rate	Name	Amt. Declared	Paid to Stock of Record	Div. Payable
4%	Allis-Chalmers, c...	1 %Q	1-24	2-15
8%	Amer Cigar, c.....	2 %Q	1-14	2- 1
7%	Am Laund Mach, p	1¾ %Q	1- 6	1-15
6%	Amer Lt & Trac, p	1½ %Q	1-13	2- 1
4%	Amer Lt & Trac, c.	1 %Q	1-13	2- 1
....	Am Lt & T, c stk d.	e1 %	1-13	2- 1
6%	Atch, Top & S Fe, c	1½ %Q	1-31	3- 1
7%	Atlantic Refining, p	1¾ %Q	1-16	2- 1
8%	Borden Co, c.......	4 %S	2- 1	2-15
7%	Brown Shoe, p....	1¾ %Q	1-20	2- 1
7%	Bunte Bros, p.....	1¾ %Q	1-25	2- 1
2%	Carolina Pow & L, c	½ %Q	1-18	2- 1
8%	Commonw'th Edison	2 %Q	1-13	2- 1
$2.40	Companía St I ($15).	$1.20 S	1-21	2-21
$1	DuPont Ch, p ($5).	25c Q	1-25	2- 6
$1	DuPont Ch, c ($5).	25c Q	1-25	2- 6
12%	Edison El Il of Bos	3 %Q	1-16	2- 3
8%	Eureka Pipe Line..	2 %Q	1-16	2- 1
5%	Fajardo Sugar.....	1¼ %Q	1-20	2- 1
6%	Federal Sug Refin, p	1½ %Q	1-20	2- 1
7%	Federal Sug Refin, c	1¾ %Q	1-20	2- 1
$10	Fisher B, c (no p).	$2.50 Q	1-21	2- 1
6%	General Motors, p..	1½ %Q	1-14	2- 1
7%	Gen'l Mot, 7% deb	1¾ %Q	1-14	2- 1
6%	Gen'l Mot, 6% deb	1½ %Q	1-14	2- 1
7%	Kelsey Wheel, p...	1¾ %Q	1-20	2- 1
$2	Miami Copper ($5).	50c Q	2- 1	2-15
$4	Midw't Refin ($50).	$1 Q	1-16	2- 1
8%	Mullins Body, p..	2 %Q	1-16	2- 1
6%	Pub Serv of N Ill, p	1½ %Q	1-14	2- 1
7%	Pub Serv of N Ill, c	1¾ %Q	1-14	2- 1
7%	Simmons Co, p....	1¾ %Q	1-15	2- 1
7%	Spd (A G) & B, 1st p	1¾ %Q	2-21	3- 1
8%	Spd (A G) & B, 2nd p	2 %Q	2-21	3- 1
6%	Tobacco Products, c	1½ %Q	1-31	2-15
....	Virg R & P, p stk d.	z6 %	1-10	2- 1

e Payable in common stock.
z Payable in preferred stock.

SECURITIES AND COMMODITIES ANALYZED IN THIS ISSUE

The following is a list of the securities and commodities analyzed in the January 7th issue of THE MAGAZINE OF WALL STREET:



MORE ABOUT BUCKET SHOPS

Editor: THE MAGAZINE OF WALL STREET:

Have been an ardent reader of your MAGAZINE for quite some time and I doubt whether there is any better concerning securities.

Have been more than interested concerning your series of articles concerning the evil of the bucket shop. You probably receive many letters from victims of these "brokers," but this is one from one of the culprits.

I will state my case in brief. I am a "customer's man" in a bucket shop. My clientele is worth approximately $50,000. These clients are "worked" by a series of "pyramiding" "overloading" and various other methods that you are fully acquainted with until they are "clean." Now this sort of "plucking" does not appeal to me. I would much rather give these people a fair and square deal. I manage to keep my wife and myself very comfortably on the salary I get for this thievery. Am I to refuse to work for these people because I know they are crooked? Could I walk into a New York Stock Exchange house and go to work at anything higher than marking up the board? Is there any way of my transferring these clients to a New York Stock Exchange house and have them treated fairly and at the same time associate myself with said house as a customer's man? I don't see any other way than to continue for the "bucketeer" or to transfer to another of the same type.

Will be glad to assist your publication in any way in its crusade against the bucket shop (outside of biting the hand that feeds me). F. B. S.

This letter has been published because it will give our readers a practical illustration of the evils against which we are waging war. It all goes to show how dangerous it is for investors to place their funds with any but houses whose honesty and reliability is guaranteed. Incidentally, notice the reference in the above letter to "pyramiding," "overloading," etc. These terms, in brief, mean that the customer is encouraged to trade beyond his means; in other words, to buy stocks on a very slim margin. No reputable broker will accept an order with less than a 10-point margin, and the fact that a broker is will-

MARKET STATISTICS

	N.Y. Times 40 Bonds	Dow, Jones Avgs. 20 Indus.	Dow, Jones Avgs. 20 Rails	N. Y. Times 50 Stocks High	N. Y. Times 50 Stocks Low	Sales
Monday, Jan. 2		HOLIDAY.				
Tuesday, Jan. 3	75.01	78.91	73.48	68.61	66.94	935,904
Wednesday, Jan. 4	75.05	79.61	73.91	67.82	66.66	789,240
Thursday, Jan. 5	75.07	78.68	73.56	67.87	66.63	835,428
Friday, Jan. 6	75.25	78.96	73.65	67.43	66.64	573,049
Saturday, Jan. 7	75.28	79.12	73.85	87.44	67.02	764,840
Monday, Jan. 9	75.46	78.87	73.43	67.44	66.49	517,295
Tuesday, Jan. 10	76.01	78.59	73.54	67.00	66.21	465,729
Wednesday, Jan. 11	76.22	80.03	74.01	67.58	66.86	454,660
Thursday, Jan. 12	76.49	79.96	74.65	67.99	67.24	500,385
Friday, Jan. 13	76.87	80.82	74.98	68.50	67.45	609,699
Saturday, Jan. 14	77.05	81.23	75.36	68.89	68.31	428,405

ing to accept an order on a smaller margin is almost a sure sign that something is wrong. If you wish to know the character of your broker find out the size of the margin he demands.

WHY PENNA. R. R. ADOPTED REGIONAL SYSTEM

(Continued from page 391)

owing to the abnormal condition of business, and especially that of the railroads, it has not yet had a complete trial.

"We have, however, had sufficient experience with it to conclude that it is better than any other form we could have adopted following Federal Control, and is, therefore, expected to continue, with perhaps such slight modifications from time to time as may be deemed advisable not only in the interest of the Company, but that of its patrons.

"The regional organization will be expanded if, in our judgment, the net results are beneficial to the Company's stockholders, the public, and the employes, and it will be modified if efficiency permits. We are not committed to any particular organization, except one that produces the best and cheapest transportation system for the public and that can earn and pay proper wages and a fair return upon the capital invested.

"In addition, I would like to point this out, that we have found it possible to have this effective regional organization—with the number of executives and other officers not materially in excess of the number prior to the war and spread out more effectively over four regions instead of being concentrated at two points—at a cost that consumes no greater part of our earnings than many of the other large railroad systems."

45,000 Dividend Checks

More than 45,000 dividend checks were necessary in order to pay the shareholders of Swift & Co. their quarterly dividend on October 1, 1921. The shareholders in this packing concern are scattered over the entire face of the globe. One or two are in Africa. Several reside in the Philippines, Hawaii, Japan and Alaska, and every country in Europe is represented.

There are also shareholders in every state in the United States. A map of some of the states spotted with the number of shareholders, would turn black. For instance, Massachusetts has 5,764; Connecticut, 3,287; Maine, 407; New York, 3,364; little Rhode Island, 363; Pennsylvania, 1,462; Maryland, 160; Illinois, 8,684; Missouri, 1,404.

The company has also concentrated on the sale of shares to its employes, so that it now has approximately 21,000 employe shareholders who are helping to make and distribute its products. Fourteen thousand of these men and women own stock outright. Over 7,000 more are buying shares on the installment plan. The holdings of these employes are large, representing a total of nearly 250,000 shares—a total value of more than $24,500,000. Fifteen thousand of the shareholders are women.

AMERICAN CAN COMPANY
(*Continued from page 399*)

exactly the same amount, issued and authorized, of common stock.

The company's earnings have been ample to secure bond interest, as shown by the following compilation (in thousands, excepting, of course, "Times Earned"):

	Total Income	Bond Interest	Times Earned
1916	$8,591	$628	13.68
1917	12,495	602	20.74
1918	6,576	575	11.42
1919	5,728	548	20.74
1920	5,331	520	13.68

The bonds are selling currently around 94, at which price they offer a yield to maturity of about 6.05%.

The preferred stock is a cumulative issue bearing 7% dividends. Dividends that had accumulated upon this issue during the formative period in the company's career were fully discharged as far back as 1913, and the full 7% paid since that time. A glance at Table II reveals a sizeable margin of safety in earnings on this issue. The preferred sells currently at 94 where it yields 7.4% and is reasonably attractive as a long-pull investment.

The common shares, having had no dividends since the formation of the company, are now selling around 32. The price reflects a large asset value and the general impression, referred to before, that the company could start dividends if it chose to. As a speculation, the issue has good possibilities at these prices.

PROTECTIVE COMMITTEE FOR E. W. WAGNER CLIENTS

A committee for the purpose of protecting the interests of clients of the E. W. Wagner Co. has been formed recently. Two classes of investors are involved, those who have paid in full for their securities and those who hold them on margin. The committee has retained R. E. Hand, of 52 Wall Street, as attorney. There will also be retained a firm of certified public accountants to conduct the accounting necessary to establish each claim.

The following circular letter has been sent out to clients of the brokerage firm:

"It is frequently possible to recover possession of securities from a trustee or receiver if proper action is taken promptly. This is so whether the securities were owned outright or purchased on margin. Under certain conditions customers owning securities paid in full have a prior right to reclaim. Success depends upon establishing your right to securities coming into the hands of the receiver. If they have been sold you must establish your right to the proceeds realized from their sale. Claim must be made promptly and before a proof of debt is filed, otherwise you may lose your right to reclaim your securities and the advantages that follow reclamation.

"Co-operation between the customers having such claims will minimize expense to the individual and render more certain the result. Co-operation will avoid duplication of the investigation and accounting necessary to establish each claim, will secure at a reasonable cost competent legal representation, and will place at the disposal of each the information procured by all."

ANSWERS TO INQUIRIES
(*Continued from page* 421.)

pany had substantial amounts to write off for inventory losses it appears that this is a very good statement. While the balance sheet shows a fairly large floating debt, under general improved business conditions this should not cause any worry. The common stock is of course a speculation, but it appears to have fair possibilities.

FOR LIFE INVESTMENT
American T. & T. vs. Pullman

Kindly give me your opinion for an investment of $2,500. I am considering buying New York Telephone 6s due 1941. *Or Pullman stock under* 110. *I want a safe investment. I think Pullman is a coming concern and well managed. Your advice on Allis-Chalmers and American Telephone turned out very satifactorily.—E. L. F., San Diego, Cal.*

We have no hesitation whatever in suggesting an investment in New York Telephone 6% bonds due 1941. However, you say that you wish a "safe investment" and we would not place Pullman stock in the same class as New York Telephone bonds. The company operated at a deficit last year and in fact paid part of its 8% dividend, that called for $9,599,820 out of its surplus. It is true that this only reduced the profit and loss surplus account by $3,000,000, but the fluctuating earning power of this company and the fact that the stock declined from 132 in the past three years down to 89 is a reflection of the inability of the company to go through a depression without harm. However, we would say that we consider the stock a good speculative investment. Instead of Pullman around 110, we would rather purchase American Telephone around 115 paying 9%, or a stock like Union Pacific. These have a very consistent earning power and we believe should sell higher ultimately. We notice that you are satisfied with our advice on American Telephone and Allis-Chalmers and we are certainly glad for your sake that both stocks have done very well ever since. We believe you could safely continue to hold them as the income is large and their prospects still very good.

We think very well of Westinghouse Electric around 50 paying $4, or a stock like Philadelphia Co. around 33 paying $3.

SHORT OF "FRUIT"
An Inadvisable Undertaking

I am short 300 shares of United Fruit at 105. What do you think I had better do under the circumstances?

You have a very unfortunate position in United Fruit and we can only say that we regret that you did not get in touch with us sooner. In taking a highly speculative position on a stock of this character, one of the first principles of successful trading in stocks is to limit your loss to 5 points at the outside and as a rule on short sales would favor a 3 point stop loss.

A careful study of this company led us to the opinion some time ago that it was a bad stock to go short of. This company came through a period of depression in remarkable style. For the first six months of 1921, which was a very bad period for the shipping business, it is semi-officially stated that the company earned $12 a share

on its stock. As of December 31, 1920, the working capital of the company was $23,125,000.

In our opinion, this stock has a very good chance of going to higher levels; of course, it has had a big advance now and there may be a reaction from this point which of course is anybody's guess, depending on general market conditions. This stock is rather closely held and that makes it a dangerous security to be short of. If the insiders desire to do so, they could put it up 30 or 40 points higher. Under these circumstances, we would advise you to either take your loss or protect with a stop loss order with the idea of covering to better advantage should there be a reaction.

A $10,000 INVESTMENT
Should Diversify Holdings

Will you kindly give the writer your advice as to the safety of investment in fifty shares of American Steel Foundries preferred stock and fifty shares of Republic Iron & Steel Co.'s preferred stock?

The writer has a sister-in-law who wishes to invest about $10,000 in these securities which yield about 8% at the present market price, but at the same time I would not wish to invest her money in securities that were not safe. Your judgment is highly prized.—G. D. G., Chicago, Ill.

American Steel Foundries preferred stock appears to us to be in a very strong position. The funded debt of the company is only $684,800, so that the preferred issue of $8,481,300 is almost the first security of the company. As of December 31, 1920, the working capital was nearly $16,000,000. This combined with the valuable plants and property of the company makes the asset value behind the preferred stock very large indeed.

Republic Iron and Steel Company has a funded debt of $13,374,000, a preferred stock issue of $25,000,000 and a common issue of $30,000,000. Working capital of the company as of December 31, 1920, was $25,500,000. This stock is also in a fairly strong position but not quite as good as American Steel Foundries preferred.

Of course, there is always the possibility if conditions in the steel trade remain unfavorable for a long period of time that dividends on preferred stock such as these might be temporarily held up. We have no doubt, however, but that ultimately these stocks will work out very well and we do not believe that conditions will get so bad that either of these dividends will be cut.

Rather than put the entire $10,000 in these two stocks, however, would suggest picking a larger list. We suggest Allis-Chalmers 7% preferred, selling around 85. The working capital of this company is largely in excess of the preferred stock issue. Also favor General Motors 6% preferred selling around 70. This stock appears to be in a strong position as it is followed by 20,000,000 shares of common.

In the bond list there are some issues that appear very well secured that yield 8%, as follows: Chili 6s 84. Pierce Oil 8s price 100. Central Steel 8s price 100.

FRENCH CITY BONDS
For Business Men's Investment

Do you consider the 6% bonds of the three French cities of Bordeaux, Lyons and Marseilles well secured and are you recommending them for investment? At what prices were they brought out, when and by whom?—T. O. O., Yonkers, N. Y.

The external loans of the city of Bordeaux, the city of Marseilles and the city of Lyons can be regarded in our opinion as a good business man's investment. There is ample security behind them but a good deal depends on how France will ultimately work out of its present rather top-heavy financial structure. Personally, we would prefer to have our money in good American securities, but if you believe that the situation in Europe generally is going to mend, you would undoubtedly have an excellent chance to ultimately take a profit on these bonds. They are all three a direct obligation on the cities, which are among the three most prosperous in France. They were brought out in November, 1919, by a syndicate headed by Kuhn, Loeb & Co., New York, at 92½.

IS ANOTHER MERGER PERIOD APPROACHING?

(*Continued from page* 374)

capitalized at something like a billion and a half, the sinking fund 5s sold off thirty or forty points, the preferred stock sold off $50 a share, and the common down to 8¾, after having been distributed above $100 and $50, respectively.

Time has been the educational factor in the matter of industrial combinations, and now that, in a great measure, the opposition has been removed, we may look for additional combines somewhat along the following lines:

Experience has proven that a smaller amount of promotion common stock in a conservatively capitalized corporation, having a sound basis and managed with an

eye to the future, is more in line with present-day banking practice than the offhand creation of an unlimited promotion stock which may carry with it a number of regrets and a long period during which actual values are supplied to supplant original watery emissions.

While those who take the original risk, that is, supply the funds or the backing necessary to the creation of such consolidated enterprises, are entitled to a liberal profit because of such risk, they are likely in future so to adjust the weight of capitalization to the carrying capacity, or let us say, the dividend paying capacity, of such enterprises during periods of stress, than to overload these new ventures at their inception.

Security issues, which in former years were practically all created with a considerable amount of fixed charges, cumulative preferred dividends, and other financial overhead, are more likely to be represented by a minimum of bonds, followed by cumulative preferreds and common shares of no par value. Lined up in this way new corporations will be given more development latitude without being handicapped by interest or dividend charges which in bad times are apt to impair working capital.

Consolidations of 1922 vintage should have their origin in economic necessity, either by way of meeting competition, reducing overhead, selling expense, advertising, transportation costs, etc., or because of the demand for protection of some of the country's vital industries in peace or war. The recent Allied Chemical & Dye consolidation contained some of these elements, and the new enterprise thus far has demonstrated its ability to pay dividends on the common shares during very depressed conditions.

Other Possible Consolidations

There is likelihood that 1922 will witness important combinations in the field of copper mining, petroleum production and refining, sugar planting and refining, railway transportation, and other lines, as well as the steel combination previously referred to and now much in the public eye.

Inasmuch as many of the corporations which may be included in some of the groupings now under consideration were able vastly to strengthen their financial resources, and fully develop their productive capacity during the war period, and thus greatly build up the value behind their shares, present stockholders should benefit through the resulting reduction in expenses and other economies growing out of consolidation; the recapitalization on the basis of actual values represented in the properties; stability of earning power under new conditions; strengthening of management by a selection of the best of such elements found in the component parts; reduction of shipping distances on both raw and finished material, and in many other ways.

Most important, however, are the elements of financial and credit strengthening and the stabilizing of earning power and dividends. Whatever tends to aid in those directions will be most welcomed by both present and future stockholders of American industrial and railroad corporations.

KEEP POSTED

The books, booklets, pamphlets, circulars, special letters, etc., listed below have been prepared with the utmost care by houses of the highest standing.

They will be mailed on request direct from the issuing firm to the readers of THE MAGAZINE OF WALL STREET FREE OF CHARGE.

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Showing How the Services of

The Richard D. Wyckoff Analytical Staff

have been Profitable to its Associate Members

In order to show just what our Associate Members have done during the past several months, we have tabulated the actual results of purchases made by Associate Members who followed our advices strictly and purchased 100 shares on each of our recommendations on the dates mentioned, and closed them out on December 28th at the prices then prevailing.

THESE TRANSACTIONS COVER FOUR MONTHS—FROM SEPTEMBER 1 TO DECEMBER 28, 1921

Security	Date Purchased	Price Paid	Price Dec. 28:	If Sold Dec. 28: Profit	Loss
Con. Gas	Sept. 2	87	91⅞	$487.50	
Am. Loco.	Sept. 2	86¼	109	2,275.00	
Un. Pac.	Sept. 2	118¼	125	675.00	
Am. T. & T.	Sept. 21	106¾	114	725.00	
Allis-Chal.	Sept. 30	33	38	500.00	
Beth. B.	Sept. 30	56¼	56¾	50.00	
So. Pac.	Sept. 30	79¾	79		75.00
Reading	Sept. 30	72⅜	72½	12.50	
Utah	Oct. 1	52	64	1,200.00	
Corn Prod.	Oct. 26	82	97	1,500.00	
U. S. Steel	Nov. 3	80⅜	84	362.50	
Atchison	Nov. 3	85⅞	92⅛	625.00	
Can. Pac.	Nov. 3	114	120	600.00	
Martin-Parry	Nov. 21	18½	19½	100.00	
Gen. Mot. 7%	Nov. 22	82	84½	250.00	
Int. Paper Pfd.	Dec. 2	73⅞	70⅜		350.00
				$9,362.50	$425.00
			Net Profit	$8,937.50	

Average dividends of 7.7%

From the above you will see that the losses have been few and small, while the profits have been very substantial. Please note also the character of the securities selected—all of them dividend payers.

In addition to the increase in the value of the principal invested, our Associate Members have received a net yield on these investments averaging 7.7%.

If no further profits are realized during the entire year, the above represents nine times the cost of the service, which is $1,000 per year.

We plan not only to realize dividends and income, but to make MORE DOLLARS THAN DIVIDENDS.

Look over your own transactions during this period and see how your own judgment compares with that represented by our Staff. You will immediately see the advantage and necessity for your joining us.

The whole question is, will you not, with even $10,000, be better off at the end of the year by following our recommendations, than by clinging to your own selections? You may be experienced in the investment market, but have you had as much and as broad experience as we?

Do you not pay lawyers, doctors, architects, engineers, and other experts to guide you in all your other affairs? Are not your investments, in many cases, more vital than these?

We respectfully renew our invitation for you to join us and trust that we shall have the pleasure of examining your present list of investment holdings and making recommendations which we believe will be for your benefit.

Use This Coupon if you should like to have further details

The Richard D. Wyckoff Analytical Staff, **Date..........**
42 Broadway, New York, N. Y.

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My present security holdings and available capital totals approximately $..........
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